

COUNTY OF ALLEGHANY, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2011

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COUNTY OF ALLEGHANY, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011

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TABLE OF CONTENTS

---

**INTRODUCTORY SECTION**

---

	<u>Page</u>
List of Elected and Appointed Officials .....	1

---

**FINANCIAL SECTION**

---

Independent Auditors' Report .....	2-3
Management's Discussion and Analysis .....	4-18

	<u>Exhibit</u>	<u>Page</u>
<b>Basic Financial Statements:</b>		
Government-Wide Financial Statements:		
Statement of Net Assets .....	1	19
Statement of Activities .....	2	20
Fund Financial Statements:		
Balance Sheet – Governmental Funds .....	3	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	4	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	5	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	6	24
Statement of Net Assets – Proprietary Funds.....	7	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	8	26
Statement of Cash Flows – Proprietary Funds .....	9	27
Statement of Fiduciary Net Assets – Fiduciary Funds .....	10	28
Notes to Financial Statements .....		29-61

**Required Supplementary Information:**

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:		
General Fund .....	11	62
Special Law Fund .....	12	63
Schedules of Funding Progress for VRS and OPEB .....	13	64

COUNTY OF ALLEGHANY, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011

---

TABLE OF CONTENTS (CONTINUED)

---

**OTHER SUPPLEMENTARY INFORMATION SECTION:**

---

	<u>Exhibit</u>	<u>Page</u>
<b>Supplementary Financial Statements:</b>		
Combining and Individual Fund Statements and Schedules:		
Combining Statement of Fiduciary Net Assets – Fiduciary Funds .....	14	65
Discretely Presented Component Unit – School Board:		
Combining Balance Sheet.....	15	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	16	67
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual .....	17	68
Combining Balance Sheet – Non major Special Revenue Funds .....	18	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non major Special Revenue Funds .....	19	70
	<u>Schedule</u>	<u>Page</u>
<b>Supporting Schedules:</b>		
Schedule of Revenues – Budget and Actual - Governmental Funds .....	1	71-76
Schedule of Expenditures – Budget and Actual - Governmental Funds .....	2	77-82
<b>Other Statistical Information:</b>		
	<u>Table</u>	<u>Page</u>
Government-wide information:		
Government-Wide Expenses by Function .....	1	83
Government-Wide Revenues .....	2	84
Fund information:		
General Governmental Expenditures by Function.....	3	85
General Governmental Revenues by Source.....	4	86
Property Tax Levies and Collections.....	5	87
Assessed Value of Taxable Property .....	6	88
Property Tax Rates .....	7	89
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	8	90

COUNTY OF ALLEGHANY, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011

---

TABLE OF CONTENTS (CONTINUED)

---

COMPLIANCE SECTION

---

Page

Compliance:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	91-92
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	93-94
Schedule of Expenditures of Federal Awards .....	95-96
Schedule of Findings and Questioned Costs .....	97-98

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## Introductory Section

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COUNTY OF ALLEGHANY, VIRGINIA

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BOARD OF SUPERVISORS

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Stephen A. Bennett, Chairman	
Carolyn T. Barnette, Vice Chairperson	Suzanne T. Adcock
Shannon P. Cox	Rickey D. May
Paige R. Morgan	Cletus W. Nicely

COUNTY SCHOOL BOARD

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Stacey Bryant, Chairman	
Troy Barbour, Vice Chairman	Joe Anderson
William Angle	Robert A. Fridley
Patsy McKinney	Norman Persinger

SOCIAL SERVICES BOARD

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Sherry W. Stull, Chairman	
Dave P. Price	David Bryant
Carole T. Gibson	John G. Hudson
William Zimmerman	

OTHER OFFICIALS

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Clerk of the Circuit Court.....	Debra N. Byer
Commissioner of the Revenue .....	Valerie Bruffey
Treasurer .....	Anna L. Fox
Sheriff.....	Kevin Hall
Superintendent of Schools .....	Dr. Sarah T. Campbell
Finance Director .....	Susan Myers
Director of Social Services .....	Becky Lane
County Administrator.....	John Strutner
County Attorney .....	Jim Guynn

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## Financial Section

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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To the Members of the Board of Supervisors  
County of Alleghany, Virginia  
Covington, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Alleghany, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining funding information of the County of Alleghany, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Alleghany, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the County of Alleghany, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We



have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Allegheny, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Robinson, Turner, Cox Associates*

Christiansburg, Virginia  
November 21, 2011

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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The management of the County of Alleghany, Virginia presents this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. This document should be used in conjunction with the financial statements and notes to the financial statements that are included in this document.

**GOVERNMENT-WIDE STATEMENTS**

In the past, the primary focus for local government financial statements has been summarized fund type information on a modified accrual basis of accounting. However, with the implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB) for June 30, 2003, there are now government-wide statements in addition to the fund statements. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the County as a whole and about its activities in a way that may help answer this question. These statements include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the County's net assets and the changes in them. One can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets can be one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors will need to be considered, however, such as changes in the County's property tax base and the condition of the County's infrastructure, to assess the overall health of the County.

For the purposes of the government-wide statements, the County financial records are divided into two types of activities:

Governmental Activities - Most of the County's basic services are reported here: Parks and Recreation, Law Enforcement, General Administration, Judicial Administration, Fire and Rescue, Buildings and Grounds, Health and Welfare, Education, and Community Development. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Business-type Activities - The operation of the County's water and sanitary systems are reported here as the County charges a fee to customers to help cover all or most of the cost of the services it provides. The County adopts county-wide rates for water and sewer customers. Approximately one third of County households have public water and/or sewer.

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more information about the County's most significant funds. The fund financial statements focus on the individual parts of the County government, reporting the County's operations in more detail than the government-wide statements. The Funds are accounting mechanisms that the County uses to keep track of specific sources of funds and spending for a particular purpose. Some funds are required to be established by State and Federal law and by bond covenants. Other funds are established to control and manage money for particular purposes or to demonstrate that the government is properly using certain taxes and grants.

The County has three types of funds:

Governmental Funds - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the County's programs.

Proprietary Funds - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

In fact, the County's Enterprise Fund (one type of proprietary fund) is the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The County's Enterprise Fund accounts for the operation of the County's water and wastewater utility.

Fiduciary Funds - The County is the trustee, or fiduciary, for Agency Funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its own operations.

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**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**AUDIT STRUCTURE**

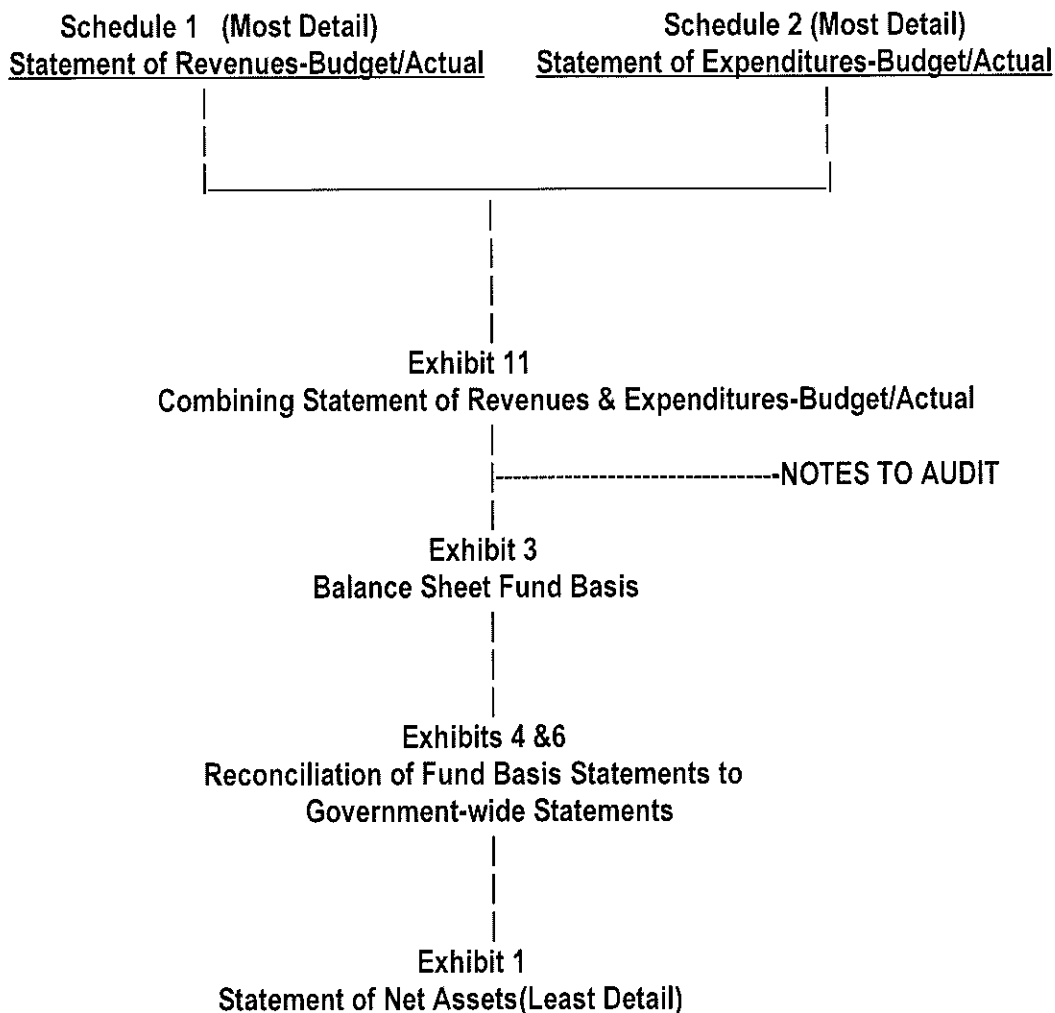
Reading and interpreting the audit can be a daunting task at times. Hopefully, the following guideline will help first-time users of this document.

- I. Introduction
  - A. Transmittal Letter- A listing of County Officials.
- II. Financial Section
  - A. Management Discussion and Analysis-The document you are currently reading. The purpose of this document is to disclose significant financial information in a more "user friendly" manner.
  - B. Government-wide statements-The new statements required by GASB No. 34. These are the Statements of Net Assets and the Statement of Activities.
  - C. Fund Basis Statements-These are the traditional financial statements included in governmental audits.
  - D. Reconciliation of Fund Basis Statements to Government-wide Statements.
  - E. Proprietary Fund Statements-For Alleghany County, this means the results of the operation of the Water and Sanitary Fund.
- III. Notes to the Financial Statements
  - A. The Notes to the financial statements are perhaps the most informative part of the audit for someone seeking information. The notes include information on accounting methods, detail of debt, amounts due from other governmental units, detail of capital assets, and a number of other schedules that explain where and how certain figures are obtained.
- IV. Required Supplementary Information
  - A. Combining & Individual Fund Statements and Schedules- These are where the detail is kept that rolls forward into the Basic Financial Statements.
  - B. Statistical Sections- Where comparative charts are presented showing the increases and decreases of revenue, expenditures, debt, property assessed values, and tax rates over a ten-year period.
  - C. Compliance- Required under OMB Circular A-133, it basically reports all money received from the Federal Government including State pass through funds and a judgment is passed on whether the County has materially met the requirements of each major grant.

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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How to follow Schedules/Exhibits in the Audit:



This means that you can follow money that comes in for Real Estate Taxes all the way through to where it becomes part of net assets or that you can follow where money is spent for the Board of Supervisors through to where it affects net assets.

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

This is the eighth year that the County of Alleghany has presented its financial statements under the new reporting model required by GASB Statement No. 34. Therefore, we are including a comparison. This reporting model changes significantly both the recording and presentation of financial data.

**Statement of Net Assets**

The following table reflects the condensed Net Assets:

		Summary of Net Assets			
		Governmental Activities		Business-Type Activities	
		2010	2011	2010	2011
<u>Assets</u>					
Current and Other Assets		\$22,711,399	\$22,468,501	\$3,513,751	\$3,049,700
Capital Assets		32,602,718	31,308,948	23,395,856	39,743,978
Total Assets		\$55,314,117	\$53,777,449	\$26,909,607	\$42,793,678
<u>Liabilities</u>					
Current Liabilities		\$3,141,415	\$2,984,735	\$3,362,701	\$1,724,659
Long-term Liabilities		23,816,162	22,462,805	4,093,301	8,654,048
Total Liabilities		\$26,957,577	\$25,447,540	\$7,456,002	\$10,378,707
<u>Net Assets</u>					
Invested in Capital Assets					
Net of Related Debt		\$9,143,456	\$9,192,271	\$17,409,095	\$31,151,776
Restricted Net Assets		975,909	1,201,119	9,614	9,614
Unrestricted Net Assets		18,237,175	17,936,519	2,034,896	1,253,581
Total Net Assets		\$28,356,540	\$28,329,909	\$19,453,605	\$32,414,971

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**Financial Highlights of the Statement of Net Assets**

At the close of the fiscal year, the assets of the County exceeded liabilities by \$60,744,880 (Exhibit 1). Of this amount \$19,190,100 may be used to meet the government's ongoing obligations to creditors and citizens within each respective activity.

\*Net assets of the County Governmental activities for the government-wide statements were \$28,329,909. Of this amount \$17,936,519 was unrestricted (Exhibit 1). This means that 63.31% of total assets were unrestricted. This is a decrease from FY10.

\*Net assets of the County's business-type activities as of June 30, 2011 were \$32,414,971. Of this amount, \$1,253,581 is unrestricted (Exhibit 1). This means that 3.87% of the total assets were unrestricted.

**Highlights of the Statement of Activities**

The Statement of Activities reveals some interesting facts. Probably the most thought provoking is the original schedule that matches revenues and expenditures for a specific activity (Exhibit 2). It shows the specific activity versus how much revenue is generated specifically for or by that activity and how much of the general revenues are used to finance the activity. This is diametrically opposite of how traditional fund accounting has presented revenue. Fund accounting has always presented revenue by source (local, state, federal). The following table presents the program revenue generated by each major activity and the general revenue required to meet operational cost of the respective activities.

**Activities - Program Revenue vs. Reliance on General Revenue  
as of June 30, 2010 and June 30, 2011**

Activity	Program Revenue		Reliance on General Revenue	
	2010	2011	2010	2011
General Administration	\$465,282	\$448,501	\$1,565,481	\$1,705,280
Judicial Administration	738,279	733,209	567,912	714,779
Public Safety	2,016,284	2,063,199	2,951,822	3,171,162
Public Works	1,095,730	339,360	2,256,131	2,434,597
Health & Welfare	2,605,070	2,374,642	822,701	973,751
Education	2,407,609	2,759,194	9,696,556	9,461,842
Parks, Recreation & Cultural	113,943	149,832	983,033	816,979
Community Development	-	-	444,648	441,036
Interest on Long-Term Debt	-	-	1,038,864	993,168
Business-Type Activities	6,541,258	15,836,205	-	-
Totals	\$15,983,455	\$24,704,142	\$20,327,148	\$20,712,594

As can be expected General Government Administration is 79.18% supported by General Revenues. This category includes general and financial administration, taxing and collection functions, and voting functions. The 20.83%

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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program revenue is mostly from the Commonwealth of Virginia support of the voting function, tax collection and assessment functions.

Judicial Administration is supported 50.63% by either revenue from the Commonwealth of Virginia or fines , forfeitures and fees. Activities included in this category are the court system, serving of legal documents, prosecution, magistrate, and maintaining legal records.

Public Safety is funded by the Commonwealth of Virginia for 39.41% of the total program costs. This leaves the General Fund providing 60.59% of the funding for public safety. This function includes law enforcement, correction and detention, probation, fire and rescue, animal protection, and emergency services.

On the Statement of Activities (Exhibit 2) local education effort is separated from the School Board activities. This chart only represents the amount of General money vs. program money that the General revenues are used to fund the local effort.

Public Works is funded by General Revenue (87.76%). These activities include refuse collection and disposal, general property upkeep, recycling, and general engineering.

Community Development activities were funded by 100% by local sources. Items included in this activity include contributions to the Alleghany Highlands Economic Development Corporation and contributions to a number of organizations that contribute to development of the community as a whole.

Parks, Recreation and Cultural Activities is supported almost entirely by general revenues (84.5%). This include parks and recreation, senior citizens services, and contributions to various organizations that sponsor cultural activities.

Health and Welfare is primarily supported by State and Federal resources (70.92%). This includes support of the Health Department and Department of Social Services.

The financial statements show no revenue was received to help pay the cost of interest on long term debt. This includes interest on school debt, general obligation debt, and revenue debt.

All of the revenue received for the Water and Sanitary activities was entirely generated by the existence of the activity. There were both charges for services and some grants; however, they were all generated due to the existence of the Water & Sanitary System. This chart also clearly shows that revenues increased over the prior year, due to the ongoing Lower Jackson River project.

The Statement of Activities (Exhibit 2) also demonstrates very clearly how the difference between expenditures and revenue leads to either an increase or decrease in net assets between years.



**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**Statement of Activities (Condensed)  
as of June 30, 2010 and June 30, 2011**

	Governmental Activities		Business-Type Activities	
	2010	2011	2010	2011
Program Revenues	\$9,442,197	\$8,867,937	\$6,541,258	\$15,836,205
General Revenues:				
General property taxes	15,715,743	15,432,192	-	-
Other local taxes	2,236,077	2,288,458	-	-
Use of Money & Property	105,447	122,851	17,686	22,096
Miscellaneous	405,274	580,811	16,731	17,876
Unrestricted grants	2,276,650	2,250,850	-	-
Net Transfers	45,337	-	(45,337)	-
Gain(loss) on disposal of Assets	127,027	10,801	-	-
Total Revenue	30,353,752	29,553,900	6,530,338	15,876,177
Total Expenditures	29,769,345	29,580,531	2,894,787	2,914,811
Change in Net Assets	584,407	(26,631)	3,635,551	12,961,366
Beginning Net Assets	27,772,133	28,356,540	15,818,054	19,453,605
Ending Net Assets	\$28,356,540	\$28,329,909	\$19,453,605	\$32,414,971

The above chart shows that for governmental activities net assets decreased by \$26,631.

There was a \$12,961,366 increase in net assets of the Water and Sanitary (business-type) activities. The majority of the increase comes from grants received related to the continuing construction of the Lower Jackson River Sewer Plant.

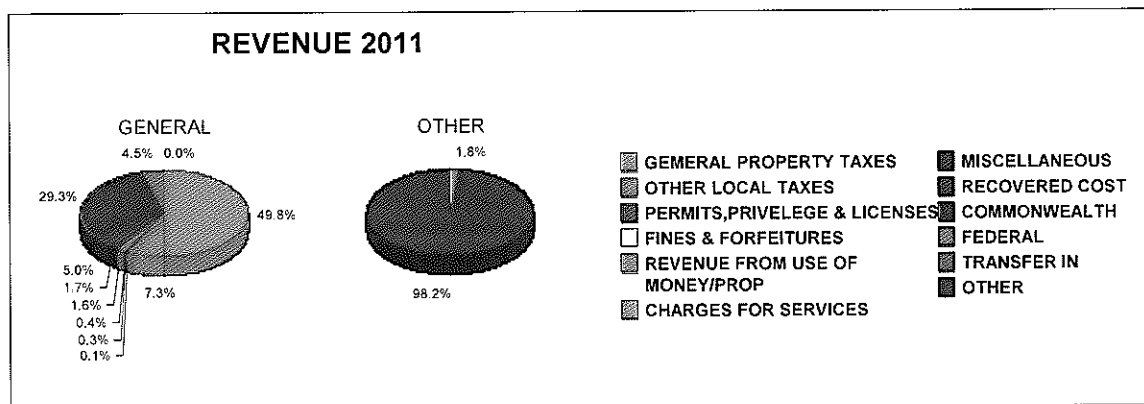
**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**Highlights of the Fund Financial Statements**

The fund financial statements provide more detailed information about the County's most significant funds. This will be a more familiar view to traditional users of government financial statements. However, there are still significant changes in these statements to meet the requirements of GASB No. 34. Except for major funds as defined by GASB No. 34, all other special funds have been included in the general fund.

**Fund Revenue by Source  
for June 30, 2011**



For the General funds, local revenue sources were 66.17% of the total revenue received, while the Commonwealth of Virginia contributed 29.32%, the Federal government contributed 4.47%, and other financing sources contributed .04%. The Other Funds category was funded entirely by local revenue. These revenue figures are presented on a source basis using modified accrual accounting as opposed to the method that is being used in the government-wide statements.

Between what was originally budgeted in the General Fund and the actual collections, there is a difference of \$266,137. This means that \$266,137 more was collected in revenue than was budgeted. This is somewhat misleading. There were many variations, some were positive, some were not. The following is a brief list of both the positive and the negative.

- Overall Property Taxes exceeded budget by \$74,776. There was a slight reduction in overall tax collections due to a \$.02 reduction in the real estate tax rate..
- Several revenue items were received later than expected; therefore, they will appear in next years revenue. Motor Vehicle Carriers tax is one of these items..
- There are a number of deviations in the Shared Expenses with the Commonwealth. Some were caused by the County being mandated to return \$184,711 in revenue to the Commonwealth.
- Once again the expenditure driven line items for Social Services did not reach the anticipated budget level. However, this means that the money was not expended for Social Services; therefore, the effect is negated by the effect on the expenditure side of the budget.
- State Sales Tax exceeded budget by \$98,237.
- Contributions from the Alleghany Foundation were over budget due to the projects that are finally

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

progressing.

- Business Licenses did not meet budget. This is probably a reflection of the overall state of the economy.

This chart shows a comparison between FY10 and FY11 revenues for the General Operating Fund. There was an overall decrease in revenue of \$643,367. This equates to a 2.02% decrease in revenues. There are two other percentages that need to be mentioned. The first is the decrease in taxes. This was caused by the decrease in the real estate rate and a decrease in the Machinery & Tools tax caused by legislative changes. The other decrease is in the amount of Federal Monies received. This is because of the continuing decrease in funding from the Federal Stimulus Program.

<b>General Fund Revenue</b>	<b>2010</b>	<b>2011</b>	<b>Difference</b>	<b>% Change</b>
General Property Taxes	\$15,629,777	\$15,524,223	(\$105,554)	-0.68%
Other Local Taxes	2,236,077	2,288,458	52,381	2.29%
Permits, Privilege Fees and Licenses	35,296	38,554	3,258	8.45%
Fines and Forfeitures	65,414	81,829	16,415	20.06%
Revenue from the Use of Money and Prop	104,819	114,937	10,118	8.80%
Charges for Services	413,300	500,783	87,483	17.47%
Miscellaneous	368,588	533,601	165,013	30.92%
Recovered Costs	1,473,856	1,548,227	74,371	4.80%
Commonwealth	9,003,162	9,141,562	138,400	1.51%
Federal	2,302,385	1,394,613	(907,772)	-65.09%
Transfers in	45,337	-	(45,337)	0.00%
Other	144,318	12,175	(132,143)	-1085.36%
<b>Totals</b>	<b>\$31,822,329</b>	<b>\$31,178,962</b>	<b>(\$643,367)</b>	

There was an increase in the revenue for Other Governmental Funds.

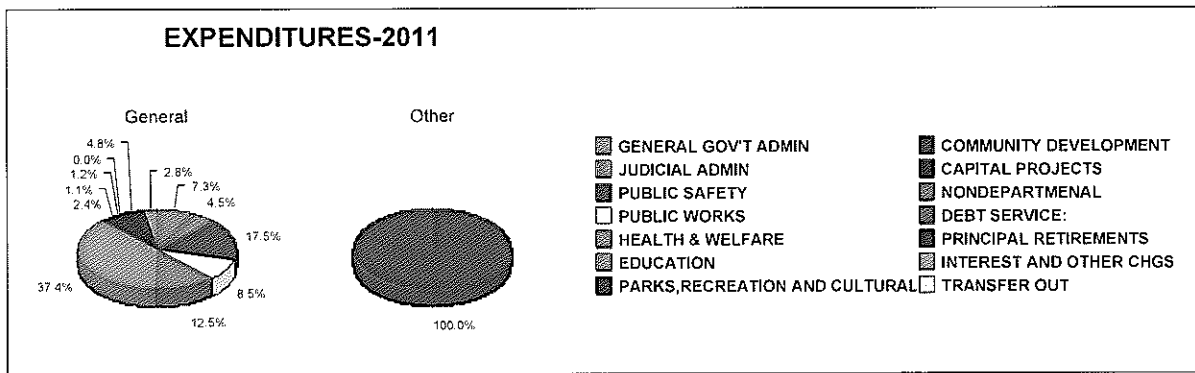
<b>Other Governmental Funds</b>	<b>2010</b>	<b>2011</b>	<b>Difference</b>	<b>% Change</b>
Revenue from the Use of Money and Prop	\$628	\$870	\$242	27.82%
Miscellaneous	36,686	47,210	10,524	22.29%
<b>Totals</b>	<b>\$37,314</b>	<b>\$48,080</b>	<b>\$10,766</b>	

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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The fund basis statements are presented on a functional basis as opposed to an activity basis as in the government-wide statements. This leads to several differences. For example, principal retirement and transfers out are included in these statements. Also, these statements are still being presented on a modified accrual basis as opposed to full accrual on the government-wide statements.

**Fund Expenditures by Function  
for June 30, 2011  
Graphical Representation  
Schedule 5**



Public Education (37.4%), Public Safety (17.5%), and Health & Welfare (12.5%) still remain the categories where the most money is expended. General Administration (7.3%), Judicial Administration (4.5%), Public Works (8.5%), Parks and Recreation (2.4%), Community Development (1.1%), Capital Projects (1.2%) and Debt Service (2.8%) accounted for the rest of the funds spent.

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The General fund spent \$10.1 million less than the amended budget (See Schedule 2). In fact, the overall expenditures for the General Fund decreased over \$1 million from FY10 to FY11. The following are some of the reasons:

- For capital budgeting and cash flow purposes, Alleghany County allows individual functions to "carry forward" unexpended budget funding in order to finance incremental parts of anticipated large purchases. This lessens the impact on tax rates in a single year. 10.
- An additional \$13,780,757.32 was reappropriated for Purchase Orders outstanding. This large amount was due to contracts on the Lower Jackson River Treatment Plant.
- Recognizing the downturn in the overall economic situation the County made a concentrated effort to either defer or eliminate spending whenever possible.
- The School Board is now retaining there excess funds..
- Capital Projects decreased this year with the completion of the Fork Farm Bridge, a lesser amount being spent on the Jackson River Scenic Trail and finishing part of the projects on the Commerce Center.

<b>General Fund Expenditures</b>	<b>2010</b>	<b>2011</b>	<b>Difference</b>	<b>% Change</b>
General Gov't Administration	\$2,159,776	\$2,254,023	\$94,247	4.18%
Judicial Administration	1,381,692	1,401,529	19,837	1.42%
Public Safety	5,491,365	5,419,873	(71,492)	-1.32%
Public Works	2,893,008	2,643,170	(249,838)	-9.45%
Health and Welfare	3,947,566	3,867,309	(80,257)	-2.08%
Education	11,456,205	11,573,076	116,871	1.01%
Parks, Recreation and Cultural	722,137	727,485	5,348	0.74%
Community Development	283,368	331,195	47,827	14.44%
Capital Projects	1,321,439	365,524	(955,915)	-261.52%
Nondepartmental	4,900	5,567	667	11.98%
Debt Service:				
Principal Retirements	1,441,347	1,474,351	33,004	2.24%
Interest and Other Charges	921,790	867,922	(53,868)	-6.21%
<b>Totals</b>	<b>\$32,024,593</b>	<b>\$30,931,024</b>	<b>(\$1,093,569)</b>	

Under Other Governmental Funds there was a decrease in the amount spent.

<b>Other Governmental Funds</b>	<b>2010</b>	<b>2011</b>	<b>Difference</b>	<b>% Change</b>
Public Safety	\$18,242	\$17,085	(\$1,157)	-6.77%
<b>Totals</b>	<b>\$18,242</b>	<b>\$17,085</b>	<b>(\$1,157)</b>	

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**CAPITAL ASSETS AND LONG TERM DEBT**

Alleghany County had an investment in capital assets as of June 30, 2011 for its governmental activities of \$31,308,948. Included in the governmental activities are School Board buildings and improvements for which Alleghany County has or will pay the associated debt. In addition, the School Board had assets of \$8,775,147 that are not owned by Alleghany County. The Water and Sanitary Fund had \$39,743,978 in capital assets. These assets are predominately water and sewer lines, pump stations, and other related infrastructure. The assets in the Water and Sanitary Fund increased due to the ongoing work on the new waste water treatment plant and the work on the collection system. The primary government long term debt (excluding Compensated Absences) decreased during fiscal year 2010 (See Note 7) The Water & Sanitary Fund debt increased due to the East End Sewer Project.

Capital Assets					
	Governmental		Business-Type		Component Unit
Land	\$	3,390,078	\$	-	\$ 1,018,272
Buildings and Systems		37,384,932		-	13,249,284
Machinery and Equipment		4,229,297		119,872	4,576,292
Infrastructure		0		21,698,010	-
Construction in Progress		-		26,036,410	-
Subtotal	\$	<u>45,004,307</u>	\$	<u>47,854,292</u>	\$ <u>18,843,848</u>
Less Accumulated Depreciation	\$	<u>(13,695,359)</u>	\$	<u>(8,110,314)</u>	\$ <u>(10,068,701)</u>
Total	\$	<u>31,308,948</u>	\$	<u>39,743,978</u>	\$ <u>8,775,147</u>

Governmental Debt				
	Balance June 30, 2010	Issuances	Retirements	Balance June 30, 2011
GO Bonds	\$ 6,416,696	\$ -	\$ (357,465)	\$ 6,059,231
Premium on VPSA	63,454	-	(7,024)	56,430
Literary Loans	9,000,000	-	(750,000)	8,250,000
Revenue Bonds	164,313	-	(6,887)	157,426
Lease Revenue Bond	8,710,000	-	(360,000)	8,350,000
Less: Deferred Amounts	<u>(895,201)</u>	<u>-</u>	<u>138,791</u>	<u>(756,410)</u>
Totals	\$ <u>23,459,262</u>	\$ <u>-</u>	\$ <u>(1,342,585)</u>	\$ <u>22,116,677</u>

Water and Sanitary Debt

Revenue Bonds	\$ <u>4,038,613</u>	\$ <u>4,886,783</u>	\$ <u>(333,194)</u>	\$ <u>8,592,202</u>
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**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

A number of factors and trends will need to be evaluated and considered with regard to the FY11-12 budget. Those are elaborated upon in the paragraphs which follow below.

The Alleghany County unemployment rate was 5.9% in August 2008, but had risen to 9.0% in January 2009 and still stood at 8.4% in March 2011. Similar increases have occurred with the Virginia and national rates. The local, state and national economies all are expected to continue to remain stagnant, despite the fact that the Commonwealth is projecting some minor improvement in its revenue situation in contrast to the past few years. It is not anticipated that this improvement in the Commonwealth's financial condition will result in the restoration of any state funding to localities that has been cut during the past three years. In fact, additional cuts in state funding are expected as the Governor and General Assembly struggle to meet rising Medicaid costs and divert revenue to meet the Governor's proposals in economic development, higher education, and transportation. While these new cuts will certainly not be as deep as those in the past few years, they will result in reduced state revenue to the County, and come on top of the reductions over the past three years.

The Alleghany Highlands region continues to experience only marginal success in replacing the jobs this area has lost since December 2005. The County and region, in partnership with the Alleghany Highlands Economic Development Corporation (AHEDC) and the Roanoke Regional Partnership, must continue in its efforts to improve employment opportunities, both through support of existing employers and the attraction and cultivation of new employers. There is a viable effort underway, spearheaded by the Alleghany Highlands Chamber of Commerce under the provisions of a Tourism and Marketing Services Agreement between it and the County, to expand and enhance our tourism sector, and the development of a potential site for a data security and storage center in Low Moor is being actively pursued by the AHEDC. We also will continue to focus upon those industries that historically have provided the largest number of jobs in the Alleghany Highlands - wood and paper products, household and personal goods manufacturing, and health care. However, until the recession subsides and the economy recovers, we do not realistically expect to be able to generate much in the way of new business prospect activity or the expansion of existing businesses. In fact, the AHEDC's Executive Director has stated that economic prospect activity in early 2011 was slower than at any other time since he assumed his position in August 2007.

Additionally, Alleghany County is still experiencing a decline in population. The VEC has projected a decline in population from 2000 (17,171) to 2030 (15,290), and that downward trend continues to manifest itself in the County's school enrollments and enrollment projections. The local workforce population is also projected to decline at a faster pace over the next 30 years, while the number of older adults is expected to increase significantly. Income levels in the Alleghany Highlands continue to lag behind both the region and the Commonwealth.

Early, preliminary projections by the Commissioner of Revenue are that the total assessed value for real estate will grow by less than 1% (around \$6-million) of FY11-12, while personal property assessed values will only increase enough to realize an estimated increase of \$131,000 in additional tax revenue at the current tax rate. Interest income earned by the County's funds on deposit is also expected to decline significantly due to the drop in interest rates.

The Commonwealth's glum fiscal situation is also impacting the local budget picture. The ABC/Wine Profits

**COUNTY OF ALLEGHANY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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distribution from the State as been eliminated (\$15,000), and there will be another round of reductions in State Aid payments to local governments for support of the County's Constitutional Offices, Registrar, and other agencies similar in amount to those imposed those year. Cuts in State aid for education are also expected. The new LEOS mandate will continue to impact our local revenues, fuel prices are on the upswing, the cost of the County sponsored employee health insurance program is rising, and the costs of other goods and services are also increasing. The General Assembly seems poised to shift the total cost of the Line of Duty Act coverage for law enforcement, fire, and rescue personnel to localities.

Another difficult budgeting season appears to be on tap for FY 11-12, with hard decisions and choices to be made.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Alleghany County Administrator, 9212 Winterberry Avenue, Covington, VA 24426.



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## Basic Financial Statements

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County of Alleghany, Virginia  
Statement of Net Assets  
June 30, 2011

	Primary Government			Component
	Governmental	Business-type		Unit
	Activities	Activities	Total	School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,970,601	\$ 2,438,997	\$ 22,409,598	\$ 3,655,378
Cash in custody of others	-	-	-	291,453
Receivables (net of allowance for uncollectibles)				
Taxes receivable	277,352	-	277,352	-
Accounts receivable	346,583	386,792	733,375	90,714
Due from other funds	815,023	(815,023)	-	-
Due from primary government	-	-	-	2,287,473
Due from other governmental units	996,071	1,013,707	2,009,778	595,960
Inventories	6,860	-	6,860	10,891
Prepaid expenses	-	-	-	201,730
Deferred charges	56,011	-	56,011	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	15,613	15,613	-
Cash and cash equivalents - debt reserve funds	-	9,614	9,614	-
Capital assets (net of accumulated depreciation)				
Land	3,390,078	-	3,390,078	1,018,272
Buildings	26,561,543	-	26,561,543	5,882,317
Machinery and equipment	1,357,327	69,435	1,426,762	1,874,558
Infrastructure	-	13,638,133	13,638,133	-
Construction in progress	-	26,036,410	26,036,410	-
Total assets	\$ 53,777,449	\$ 42,793,678	\$ 96,571,127	\$ 15,908,746
<b>LIABILITIES</b>				
Accounts payable	\$ 375,866	\$ 1,649,139	\$ 2,025,005	\$ 75,154
Accrued liabilities	60,273	22,239	82,512	2,320,416
Customers' deposits	-	15,613	15,613	-
Accrued interest payable	229,795	37,668	267,463	-
Due to component unit	2,287,473	-	2,287,473	-
Deferred revenue	11,971	-	11,971	-
Amounts held for others	19,357	-	19,357	-
Long-term liabilities:				
Due within one year	1,767,108	358,456	2,125,564	98,105
Due in more than one year	20,695,697	8,295,592	28,991,289	340,830
Total liabilities	\$ 25,447,540	\$ 10,378,707	\$ 35,826,247	\$ 2,834,505
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 9,192,271	\$ 31,151,776	\$ 40,344,047	\$ 8,775,147
Restricted for:				
Jail Operations	122,937	-	122,937	-
CDBG Housing	7,604	-	7,604	-
Law Library	15,996	-	15,996	-
Asset Forfeiture Funds	73,766	-	73,766	-
Courthouse Security	67,202	-	67,202	-
Indoor Plumbing Rehab	68,665	-	68,665	-
Emergency Repair Fund	43,704	-	43,704	-
Kimstan Diversion Ditch	119,610	-	119,610	-
Debt Service Reserves	77,307	9,614	86,921	-
Health insurance	604,328	-	604,328	-
Unrestricted (deficit)	17,936,519	1,253,581	19,190,100	4,299,094
Total net assets	\$ 28,329,909	\$ 32,414,971	\$ 60,744,880	\$ 13,074,241

The notes to the financial statements are an integral part of this statement

County of Allegheny, Virginia  
Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Unit
					Governmental Activities	Business-type Activities		
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administrator	\$ 2,153,781	\$ 114,372	\$ 334,129	\$ -	\$ (1,705,280)	\$ -	\$ (1,705,280)	\$ -
Judicial administrator	1,447,988	6,765	726,444	-	(714,779)	-	(714,779)	-
Public safety	5,234,361	88,765	1,974,434	-	(3,171,162)	-	(3,171,162)	-
Public works	2,773,957	324,372	14,988	-	(2,434,597)	-	(2,434,597)	-
Health and welfare	3,348,393	-	2,374,642	-	(973,751)	-	(973,751)	-
Education	12,221,036	-	2,759,194	-	(9,461,842)	-	(9,461,842)	-
Parks, recreation, and cultural	966,811	48,338	68,613	32,881	(816,979)	-	(816,979)	-
Community development	441,036	-	-	-	(441,036)	-	(441,036)	-
Interest on long-term debt	993,168	-	-	-	(993,168)	-	(993,168)	-
Total governmental activities	\$ 29,580,531	\$ 582,612	\$ 8,252,444	\$ 32,881	\$ (20,712,594)	\$ -	\$ (20,712,594)	\$ -
<b>Business-type activities:</b>								
Water and Sewer Fund	\$ 2,914,811	\$ 3,327,372	\$ -	\$ 12,508,833	\$ -	\$ 12,921,394	\$ 12,921,394	\$ -
Total primary government	\$ 32,495,342	\$ 3,909,984	\$ 8,252,444	\$ 12,541,714	\$ (20,712,594)	\$ 12,921,394	\$ (7,791,200)	\$ -
<b>COMPONENT UNIT:</b>								
School Board	\$ 28,837,880	\$ 692,530	\$ 16,703,407	\$ -	\$ -	\$ -	\$ -	\$ (11,441,943)
Total component unit	\$ 28,837,880	\$ 692,530	\$ 16,703,407	\$ -	\$ -	\$ -	\$ -	\$ (11,441,943)
<b>General revenues:</b>								
General property taxes					\$ 15,432,192	\$ -	\$ 15,432,192	\$ -
Other local taxes								
Local sales and use taxes					694,063	-	694,063	-
Consumers' utility taxes					261,758	-	261,758	-
Business license taxes					314,879	-	314,879	-
Utility consumption taxes					194,364	-	194,364	-
Motor vehicle licenses					277,785	-	277,785	-
Restaurant food taxes					317,041	-	317,041	-
Other local taxes					228,568	-	228,568	-
Unrestricted revenues from use of money and property					122,851	22,096	144,947	6,711
Miscellaneous					580,811	17,876	598,687	383,953
Payments from the County of Allegheny								11,563,846
Grants and contributions not restricted to specific programs								-
Gain on disposal of capital assets					2,250,850	-	2,250,850	-
Total general revenues					10,801	39,972	50,773	11,954,510
Change in net assets					(26,631)	12,961,366	12,934,735	512,567
Net assets - beginning					28,356,540	19,453,605	47,810,145	12,561,674
Net assets - ending					28,329,909	32,414,971	60,744,880	13,074,241

The notes to the financial statements are an integral part of this statement

County of Alleghany, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2011

	<u>General</u>	<u>Special Law Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,977,152	\$ 122,211	\$ 19,099,363
Receivables (net of allowance for uncollectibles):			
Taxes receivable	277,352	-	277,352
Accounts receivable	343,826	2,757	346,583
Due from other funds	915,023	-	915,023
Due from other governmental units	996,071	-	996,071
Inventories	6,860	-	6,860
Total assets	<u>\$ 21,516,284</u>	<u>\$ 124,968</u>	<u>\$ 21,641,252</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 206,925	\$ 2,031	\$ 208,956
Accrued liabilities	60,273	-	60,273
Due to component unit	2,287,473	-	2,287,473
Deferred revenue	247,957	-	247,957
Amounts held for others	19,357	-	19,357
Total liabilities	<u>\$ 2,821,985</u>	<u>\$ 2,031</u>	<u>\$ 2,824,016</u>
Fund balances:			
Nonspendable			
Inventory	\$ 6,860	\$ -	\$ 6,860
Restricted			
Jail Operations	-	122,937	122,937
CDBG Housing	7,604	-	7,604
Law Library	15,996	-	15,996
Asset Forfeiture Funds	73,766	-	73,766
Courthouse Security	67,202	-	67,202
Indoor Plumbing Rehab	68,665	-	68,665
Emergency Repair Fund	43,704	-	43,704
Kimstan Diversion Ditch	119,610	-	119,610
Debt Service Reserves	77,307	-	77,307
Assigned			
Capital projects	1,016,671	-	1,016,671
Unassigned	17,196,914	-	17,196,914
Total fund balances	<u>\$ 18,694,299</u>	<u>\$ 122,937</u>	<u>\$ 18,817,236</u>
Total liabilities and fund balances	<u>\$ 21,516,284</u>	<u>\$ 124,968</u>	<u>\$ 21,641,252</u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
June 30, 2011

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 18,817,236
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,308,948
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	235,986
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	604,328
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. This amount is net of any corresponding unamortized bond issuance costs and deferred amounts on refundings.	(22,636,589)
Net assets of governmental activities	<u>\$ 28,329,909</u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

	<u>General</u>	Special Law <u>Fund</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 15,524,223	\$ -	\$ 15,524,223
Other local taxes	2,288,458	-	2,288,458
Permits, privilege fees, and regulatory licenses	38,554	-	38,554
Fines and forfeitures	81,829	-	81,829
Revenue from the use of money and property	114,937	870	115,807
Charges for services	500,783	-	500,783
Miscellaneous	533,601	47,210	580,811
Recovered costs	1,548,227	-	1,548,227
Intergovernmental revenues:			
Commonwealth	9,141,562	-	9,141,562
Federal	1,394,613	-	1,394,613
Total revenues	<u>\$ 31,166,787</u>	<u>\$ 48,080</u>	<u>\$ 31,214,867</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 2,254,023	\$ -	\$ 2,254,023
Judicial administration	1,401,529	-	1,401,529
Public safety	5,419,873	17,085	5,436,958
Public works	2,643,170	-	2,643,170
Health and welfare	3,867,309	-	3,867,309
Education	11,573,076	-	11,573,076
Parks, recreation, and cultural	727,485	-	727,485
Community development	331,195	-	331,195
Nondepartmental	5,567	-	5,567
Capital projects	365,524	-	365,524
Debt service:			
Principal retirement	1,474,351	-	1,474,351
Interest and other fiscal charges	867,922	-	867,922
Total expenditures	<u>\$ 30,931,024</u>	<u>\$ 17,085</u>	<u>\$ 30,948,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 235,763</u>	<u>\$ 30,995</u>	<u>\$ 266,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	\$ 12,175	\$ -	\$ 12,175
Total other financing sources (uses)	<u>\$ 12,175</u>	<u>\$ -</u>	<u>\$ 12,175</u>
Net change in fund balances	\$ 247,938	\$ 30,995	\$ 278,933
Fund balances - beginning	18,446,361	91,942	18,538,303
Fund balances - ending	<u>\$ 18,694,299</u>	<u>\$ 122,937</u>	<u>\$ 18,817,236</u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2011

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 278,933
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(1,293,771)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(92,031)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,474,351
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	(114,474)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(279,639)
Change in net assets of governmental activities	<u>\$ (26,631)</u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,438,997	\$ 871,238
Accounts receivable, net of allowance for uncollectibles	386,792	-
Due from other governmental units	1,013,707	-
Total current assets	<u>\$ 3,839,496</u>	<u>\$ 871,238</u>
Noncurrent assets:		
Restricted cash and cash equivalents:		
Customers deposits	\$ 15,613	\$ -
Debt service reserves	9,614	-
Total restricted assets	<u>\$ 25,227</u>	<u>\$ -</u>
Capital assets:		
Infrastructure and equipment	\$ 21,698,010	\$ -
Less accumulated depreciation	(8,059,877)	-
Machinery and equipment	119,872	-
Less accumulated depreciation	(50,437)	-
Construction in progress	26,036,410	-
Total capital assets	<u>\$ 39,743,978</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 39,769,205</u>	<u>\$ -</u>
Total assets	<u>\$ 43,608,701</u>	<u>\$ 871,238</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 1,649,139	\$ 166,910
Payroll liabilities	22,239	-
Customers' deposits	15,613	-
Accrued interest payable	37,668	-
Due to other funds	815,023	100,000
Compensated absences - current portion	46,385	-
Bonds payable - current portion	312,071	-
Total current liabilities	<u>\$ 2,898,138</u>	<u>\$ 266,910</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 8,280,131	\$ -
Compensated absences - net of current portion	15,461	-
Total noncurrent liabilities	<u>\$ 8,295,592</u>	<u>\$ -</u>
Total liabilities	<u>\$ 11,193,730</u>	<u>\$ 266,910</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 31,151,776	\$ -
Restricted for debt service	9,614	-
Restricted for health claims	-	604,328
Unrestricted	1,253,581	-
Total net assets	<u>\$ 32,414,971</u>	<u>\$ 604,328</u>

The notes to the financial statements are an integral part of this statement



County of Alleghany, Virginia  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2011

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for services:		
Water revenues	\$ 1,758,166	\$ -
Sewer revenues	1,533,068	-
Penalty	36,138	-
Insurance premiums	-	1,719,993
Miscellaneous	17,876	-
Total operating revenues	<u>\$ 3,345,248</u>	<u>\$ 1,719,993</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	\$ 506,289	\$ -
Fringe benefits	226,064	2,006,676
Professional services	29,109	-
Utilities	121,270	-
Materials and supplies	223,217	-
Insurance	19,128	
Travel	8,008	
Dues and memberships	685	
Permits	16,298	
Rentals and leases	4,003	-
Repairs and maintenance	64,141	-
Purchased services	1,229,742	-
Depreciation	395,044	-
Total operating expenses	<u>\$ 2,842,998</u>	<u>\$ 2,006,676</u>
Operating income (loss)	<u>\$ 502,250</u>	<u>\$ (286,683)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$ 22,096	\$ -
Interest income	-	7,044
Connection fees	13,360	-
Interest expense	(71,813)	-
Total nonoperating revenues (expenses)	<u>\$ (36,357)</u>	<u>\$ 7,044</u>
Income before contributions and transfers	\$ 465,893	\$ (279,639)
Capital contributions and construction grants	12,495,473	-
Change in net assets	<u>\$ 12,961,366</u>	<u>\$ (279,639)</u>
Total net assets - beginning	19,453,605	883,967
Total net assets - ending	<u><u>\$ 32,414,971</u></u>	<u><u>\$ 604,328</u></u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2011

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 3,288,959	\$ 1,719,993
Payments to suppliers	(1,456,313)	-
Payments to and for employees	(709,720)	(2,018,337)
Net cash provided (used) by operating activities	<u>\$ 1,122,926</u>	<u>\$ (298,344)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to other funds	\$ (1,133,125)	\$ -
Net cash provided (used) by noncapital financing activities	<u>\$ (1,133,125)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to utility plant	\$ (16,743,166)	\$ -
Principal payments on bonds	(333,194)	-
Connection fees	13,360	-
Contributions in aid of construction	12,437,053	-
Proceeds from indebtedness	4,886,783	-
Interest payments	(38,483)	-
Net cash provided (used) by capital and related financing activities	<u>\$ 222,353</u>	<u>\$ -</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	\$ 22,096	\$ 7,044
Net increase (decrease) in cash and cash equivalents	\$ 234,250	\$ (291,300)
Cash and cash equivalents - beginning - including restricted	2,229,974	1,162,538
Cash and cash equivalents - ending - including restricted	<u>\$ 2,464,224</u>	<u>\$ 871,238</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 502,250	\$ (286,683)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 395,044	\$ -
(Increase) decrease in accounts receivable	(58,302)	-
Increase (decrease) in customer deposits	2,013	-
Increase (decrease) in accounts payable	259,288	(11,661)
Increase (decrease) compensated absences	7,158	-
Increase (decrease) in payroll liabilities	15,475	-
Total adjustments	<u>\$ 620,676</u>	<u>\$ (11,661)</u>
Net cash provided (used) by operating activities	<u>\$ 1,122,926</u>	<u>\$ (298,344)</u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 432,504
Receivables:	
Accounts receivable	209,532
Total assets	<u>\$ 642,036</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 132,004
Amounts held for Alleghany Highlands Economic Development Corporation	96,698
Amounts held for social services clients	8,160
Amounts held for Friends of Youth	3,389
Amounts held for Human and Leisure Activity	775
Amounts held for Jackson River Vocational Center	295,103
Amounts held for United Fire and Rescue Association	100,776
Amounts held for Humane Society	5,131
Total liabilities	<u>\$ 642,036</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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**Note 1-Summary of Significant Accounting Policies:**

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity

The County of Alleghany, Virginia is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units – None

Discretely Presented Component Units – The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Alleghany County School Board operates the elementary and secondary public schools in the County. School Board members are appointed. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

Related Organizations – The County Board appoints board members to outside organizations, but the County's accountability for these organizations does not extend beyond making the appointments.

Jointly Governed Organizations – None

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 1-Summary of Significant Accounting Policies: (Continued)**

B. Government-wide and fund financial statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Law Library, Employee Function, IPR, Emergency Repair, Drug Asset Forfeiture, Kimstan Diversion Ditch, Courthouse Security, Fire and Rescue, CCWD and CDBG Funds. Such funds have been merged for financial reporting purposes.

The *special law fund* accounts for and reports revenues generated by the Jail that are restricted as to use.

The County reports the following major proprietary funds:

The County operates a sewage collection and treatment system and water distribution system. The activities of these systems are accounted for in the Water and Sewer Fund.

The *Internal Service Fund* accounts for the financing of goods and services provided by one department or agency to other departments or agencies of the County government. The self-insured health insurance plan is accounted for in this fund.

Additionally, the County reports the following fund types:

*Fiduciary funds* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Friends of Youth, Humane Society Capital Improvement, Human and Leisure Service, Jackson River Vocational Center, United Fire and Rescue Association and the Alleghany Highlands Economic Development Corporation Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 1-Summary of Significant Accounting Policies: (Continued)**

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5<sup>th</sup>. The County bills and collects its own property taxes.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, and net assets or equity (Continued)

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$201,644 at June 30, 2011 and is comprised of \$137,693 in property taxes and \$63,951 in water and sewer billings.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20 - 40
Structures, lines, and accessories	20 - 65
Machinery and equipment	5 - 12



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, and net assets or equity (Continued)

7. Compensated Absences

Vested or accumulated vacation, sick, and holiday pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive benefits. All vacation, sick, and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements to the extent of amounts that are paid out to employees upon termination.

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard (implemented in 2011) has not affected the total amount of reported fund balances but has substantially changed the categories and terminology used to describe their components. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The County of Alleghany, Virginia evaluated its funds at June 30, 2011 and classified fund balance into the following five categories:

Non-spendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, and net assets or equity (Continued)

9. Fund equity (Continued)

Committed -items that have been committed by formal action by the entity's "highest level of decision-making authority"; which the County of Alleghany, Virginia considers to be the Board of Supervisors.

Assigned -items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Alleghany, Virginia considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors.

Unassigned -this category is for any balances that have no restrictions placed upon them.

10. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011Note 2-Reconciliation of Government-Wide and Fund Financial Statements:

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$22,636,589) and (\$438,935) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
General obligation bonds payable	\$ (6,059,231)	\$ -
Unamortized premium	(56,430)	-
Accrued interest payable	(229,795)	-
Literary loans payable	(8,250,000)	-
Lease revenue bonds payable	(8,350,000)	-
Less: Unamortized amount on refunding	756,410	-
Less: Issuance costs	56,011	-
Revenue bonds payable	(157,426)	-
Compensated absences	(346,128)	(130,806)
OPEB obligation	-	(308,129)
	<hr/>	<hr/>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (22,636,589)	\$ (438,935)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these (\$1,293,771) and (\$424,715) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Capital outlays	\$ 98,123	\$ 289,648
Disposal of assets	(73,349)	-
Accumulated depreciation on disposed assets	71,975	-
Depreciation expenses	<u>(1,390,520)</u>	<u>(714,363)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,293,771)</u>	<u>\$ (424,715)</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities: (Continued)

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,474,351 for the primary government are as follows:

	<u>Primary Government</u>
<b>Principal repayments:</b>	
General obligation bond	\$ 357,465
Lease revenue bond	360,000
Revenue bond	6,886
Literary loans	750,000
Total principal repayments	<u>\$ 1,474,351</u>
 Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 1,474,351</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities: (Continued)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these (\$114,474) and \$5,637 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
(Increase) Decrease in Compensated absences	\$ 10,772	\$ 81,193
(Increase) Decrease in Accrued interest	16,798	-
(Increase) Decrease in OPEB obligation		(75,556)
Amortization of deferred amount on refunding	(138,791)	-
Amortization of bond premium	7,024	-
Amortization of bond issuance costs	(10,277)	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (114,474)	\$ 5,637

**Note 3-Stewardship, Compliance, and Accountability:**

## A. Budgetary information

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except the School Fund). The School Fund is integrated only at the level of legal adoption.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 3-Stewardship, Compliance, and Accountability: (Continued)**

A. Budgetary information (Continued)

5. The Appropriations Resolution places legal restrictions on expenditures at the department level. Only the Board of Supervisors can revise the appropriation for each department. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is part of the County's accounting system.

B. Excess of expenditures over appropriations

For fiscal year 2011, appropriations in each fund were sufficient to cover expenditures.

C. Deficit fund equity

At June 30, 2011, there were no funds with deficit fund equity.

**Note 4-Deposits and Investments:**

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011Note 4-Deposits and Investments: (Continued)Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2011 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

## County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	
LGIP	\$	7,509,217

The fair value of positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government	Business-Type Activities	Component Unit School Board
<u>Commonwealth of Virginia:</u>			
State sales tax	\$ 427,214	\$ -	\$ -
Categorical aid, shared expenses	241,601	-	-
Other categorical aid	12,836	246,633	-
Non-categorical aid	175,014	-	-
Virginia public assistance funds	50,851	-	-
<u>Federal government:</u>			
Virginia public assistance funds	86,805	-	-
Categorical aid	1,750	767,074	595,960
	<u>\$ 996,071</u>	<u>\$ 1,013,707</u>	<u>\$ 595,960</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**Note 6-Interfund/Component-Unit Obligations:**

The following balances represent amounts due between the primary government and its component unit as of June 30, 2011:

<u>Fund</u>	<u>Payable</u>	<u>Receivable</u>
<b>Primary Government:</b>		
General Fund	\$ 2,287,473	\$ -
<b>Component Unit - School Board:</b>		
School Fund	\$ -	\$ 2,287,473
<b>Totals</b>	<b>\$ 2,287,473</b>	<b>\$ 2,287,473</b>

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Fund</u>	<u>Payable</u>	<u>Receivable</u>
General Fund	\$ -	\$ 915,023
Internal Service Fund	100,000	
Water/Sewer Fund	815,023	-
<b>Totals</b>	<b>\$ 915,023</b>	<b>\$ 915,023</b>

**Note 7-Long-Term Debt:**Primary Government – Governmental Activity Indebtedness:

Annual requirements to amortize long-term debt and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Literary Fund Loans</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 750,000	\$ 165,000	\$ 375,556	\$ 287,807
2013	750,000	150,000	388,807	268,035
2014	750,000	135,000	407,228	248,042
2015	750,000	120,000	425,828	226,799
2016	750,000	105,000	444,617	204,603
2017-2021	3,750,000	300,000	2,510,838	666,864
2022-2026	750,000	15,000	1,308,898	161,047
2027-2031	-	-	197,459	4,542
<b>Totals</b>	<b>\$ 8,250,000</b>	<b>\$ 990,000</b>	<b>\$ 6,059,231</b>	<b>\$ 2,067,739</b>

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

Note 7-Long-Term Debt: (Continued)

Primary Government – Governmental Activity Indebtedness: (Continued)

Annual requirements to amortize long-term debt and related interest are as follows: (Continued)

Year Ending June 30,	Revenue Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 6,956	\$ 1,557	\$ 375,000	\$ 359,150
2013	7,025	1,487	385,000	342,430
2014	7,096	1,417	410,000	324,940
2015	7,167	1,346	7,180,000	157,960
2016	7,239	1,274	-	-
2017-2021	37,297	5,266	-	-
2022-2026	39,204	3,358	-	-
2027-2031	41,209	1,353	-	-
2032	4,233	21	-	-
Totals	\$ 157,426	\$ 17,079	\$ 8,350,000	\$ 1,184,480

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2011.

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
General obligation bonds	\$ 6,416,696	\$ -	\$ (357,465)	\$ 6,059,231
Plus: Premium on issuance	63,454	-	(7,024)	56,430
Literary loans	9,000,000	-	(750,000)	8,250,000
Revenue bond	164,312	-	(6,886)	157,426
Lease revenue bond	8,710,000	-	(360,000)	8,350,000
Less deferred amounts:				
on refunding	(895,201)	-	138,791	(756,410)
Compensated absences	356,900	256,903	(267,675)	346,128
Total	\$ 23,816,161	\$ 256,903	\$ (1,610,259)	\$ 22,462,805

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011Note 7-Long-Term Debt: (Continued)Primary Government – Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>General Obligation Bonds:</b>		
\$5,000,000 General Obligation Bond (Alleghany Highlands School Project) issued March 20, 2001 bearing interest at a rate of 5.60% payable semi-annually on July 15 and January 15 through 2021. Principal payments are due annually in installments varying from \$140,000 to \$405,000.	\$ 3,380,000	\$ 235,000
 \$3,205,141 General Obligation Bond bearing interest at a rate between 4.225% and 5.1% payable semi-annually on July 15 and January 15 through 2026. Principal payments are due annually in installments varying from \$122,176 to \$197,459.	 2,679,231	 140,556
 Total General Obligation Bonds	 \$ 6,059,231	 \$ 375,556
<b>Literary Loans:</b>		
\$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%	\$ 4,125,000	\$ 375,000
 \$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%	 4,125,000	 375,000
 Total Literary Loans	 \$ 8,250,000	 \$ 750,000

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

**Note 7-Long-Term Debt: (Continued)**

Primary Government – Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>Lease Revenue Bonds:</b>		
\$8,885,000 revenue refunding bond issued November 23, 2004 bearing interest at 4.4% with interest payments due semi-annually on June 15th and December 15th. Annual principal payments are due on December 15th in amounts varying from \$80,000 to \$410,000 through December 15th 2013. On December 15th 2014, the bond holder may demand payment in full on the bond or re-set the interest rate for the balance outstanding. The re-set interest rate will be determined at the discretion of the bondholders and no parameters have been established to determine or limit same. Principal outstanding at December 15, 2014 will be \$7,180,000. This amount is considered due and payable on December 15, 2014 as the bondholder(s) may exercise their option to demand payment.	<u>\$ 8,350,000</u>	<u>\$ 375,000</u>
<b>Revenue Bond:</b>		
\$217,000 Virginia Resource Authority bond issued November 28, 2000 for the construction of a water tank at Boiling Springs Elementary School. The bond bears interest at a rate of 1.00% payable in annual principal and interest installments of \$8,367 beginning January 1, 2003 through January 1, 2032.	<u>\$ 157,426</u>	<u>\$ 6,956</u>
<b>Other Obligations</b>		
Compensated Absences	\$ 346,128	\$ 259,596
Plus: Unamortized Premium on Issuance	56,430	-
Less: Unamortized amount on refunding	<u>(756,410)</u>	<u>-</u>
Total Other Obligations	<u>\$ (353,852)</u>	<u>\$ 259,596</u>
<b>Total Long-term Debt</b>	<u>\$ 22,462,805</u>	<u>\$ 1,767,108</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011Note 7-Long-Term Debt: (Continued)Primary Government – Enterprise Activity Indebtedness:

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2012	\$ 312,071	\$ 79,038
2013	546,232	110,106
2014	555,056	76,123
2015	556,734	74,445
2016	558,461	72,718
2017-2021	2,433,010	335,831
2022-2026	1,239,534	284,364
2027-2031	739,259	233,034
2032-2036	425,792	178,348
2037-2041	425,890	116,385
2042-2046	408,740	67,840
2047-2051	391,423	19,667
Totals	\$ 8,592,202	\$ 1,647,899

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2011.

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Revenue bonds	\$ 4,038,613	\$ 4,886,783	\$ (333,194)	\$ 8,592,202
Compensated absences	54,688	48,174	(41,016)	61,846
Total	\$ 4,093,301	\$ 4,934,957	\$ (374,210)	\$ 8,654,048

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

Note 7-Long-Term Debt: (Continued)

Primary Government – Enterprise Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>Revenue Bonds:</b>		
\$384,563 Virginia Revolving Loan Fund issued June 9, 1992, with payments due on April 1 and October 1 of \$9,654 through October 1, 2012. This is a non-interest bearing loan.	\$ 28,962	\$ 19,308
\$463,000 Rural Development Bond issued February 13, 2001, bearing interest at 4.50%. Monthly principal and interest payments of \$2,126 begin on August 6, 2002 and continue through 2039.	393,789	7,381
\$2,153,232 Water and Sewer System Revenue Bond issued December 17, 1999 with semi-annual installments on February 1 and August 1 in the amount of \$51,866 through February 1, 2021. This is a non-interest bearing loan.	1,037,318	103,732
\$2,429,000 Rural Development Bond issued November 9, 2010, at an interest rate of 2.25% with interest only payments due November 9, 2011 and 2012 and principal and interest payments of \$7,943 due monthly starting December 9, 2012 and continuing until October 9, 2050.	2,429,000	-
\$4,385,649 interest free Virginia Resource Authority Bond issued in 2011 with semi-annual principal payments of \$109,641 beginning August 1, 2012 and continuing until August 1, 2019. The total amount drawn down at June 30, 2011 was \$1,586,484.	1,586,484	-

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

Note 7-Long-Term Debt: (Continued)

Primary Government – Enterprise Activity Indebtedness: (Continued)

Details of long-term indebtedness: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>Revenue Bonds (Continued)</b>		
2005 Revenue Bond not to exceed \$250,000 issued February 1, 2005, at an interest rate of 3.00%, with an interest only payment due August 1, 2005 and principal and interest payments of \$8,514 due every February 1 and August 1 beginning February 1, 2006 until February 1, 2032.	\$ 192,364	\$ 11,241
\$5,887,182 interest free Virginia Resource Authority bond issued in 2007 with semi-annual principal payments of \$85,204 due until September 1, 2028. The outstanding balance at June 30, 2011 is	<u>2,924,285</u>	<u>170,409</u>
Total Revenue Bonds	<u>\$ 8,592,202</u>	<u>\$ 312,071</u>
<b>Other Obligations:</b>		
Compensated Absences	<u>\$ 61,846</u>	<u>\$ 46,385</u>
Total Long-term Obligations	<u>\$ 8,654,048</u>	<u>\$ 358,456</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**Note 8-Long-term Debt-Component Unit School Board:**Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2011.

	<u>Balance July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
OPEB obligation	\$ 232,573	\$ 152,256	\$ (76,700)	\$ 308,129
Compensated absences	211,999	77,806	(158,999)	130,806
Total	<u>\$ 444,572</u>	<u>\$ 230,062</u>	<u>\$ (235,699)</u>	<u>\$ 438,935</u>

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>Other Obligations:</b>		
OPEB obligation	\$ 308,129	\$ -
Compensated absences	130,806	98,105
Total Long-Term Obligations	<u>\$ 438,935</u>	<u>\$ 98,105</u>

**Note 9-Employee Retirement System and Pension Plans:**

## A. Plan Description

Name of Plan: Virginia Retirement System (VRS)  
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
 Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or at age 50 with at least 30 years of service credit. They may retire



**Note 9-Employee Retirement System and Pension Plans: (Continued)**

A. Plan Description (Continued)

with a reduced benefit early at age 55 with at least 10 years of service credit or at age 50 with at least five years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**Note 9-Employee Retirement System and Pension Plans: (Continued)****B. Funding Policy**Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer. In addition, the County of Alleghany, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Alleghany, Virginia's contribution rate for the fiscal year ended 2011 was 11.67% of annual covered payroll.

Discretely Presented Component Unit – School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer. In addition, the County of Alleghany, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Alleghany, Virginia's contribution rate for the fiscal year ended 2011 was 5.47% of annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2011, the County of Alleghany, Virginia's annual pension cost of \$724,765 and \$103,401 was equal to the County of Alleghany, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
<b>Primary Government:</b>				
County	6/30/2011	\$ 724,765	100.00%	\$ -
	6/30/2010	680,621	100.00%	-
	6/30/2009	682,454	100.00%	-
<b>Discretely Presented-Component Unit:</b>				
School Board Non-Professional	6/30/2011	\$ 103,401	100.00%	\$ -
	6/30/2010	54,792	100.00%	-
	6/30/2009	54,978	100.00%	-

<sup>1</sup> Employer portions

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 9-Employee Retirement System and Pension Plans: (Continued)**

C. Annual Pension Cost (Continued)

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 73.64% funded. The actuarial accrued liability for benefits was \$29,234,583, and the actuarial value of assets was \$21,529,425, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,705,158. The covered payroll (annual payroll of active employees covered by the plan) was \$6,239,036, and ratio of the UAAL to the covered payroll was 123.50%.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

As of June 30, 2010, the most recent actuarial valuation date, the plan was 90.10% funded. The actuarial accrued liability for benefits was \$9,146,285, and the actuarial value of assets was \$8,240,578, resulting in an unfunded actuarial accrued liability (UAAL) of \$905,707. The covered payroll (annual payroll of active employees covered by the plan) was \$1,882,429, and ratio of the UAAL to the covered payroll was 48.11%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Alleghany County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be downloaded from their website at

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 9-Employee Retirement System and Pension Plans: (Continued)**

E. Discretely Presented Component Unit School Board (Continued)

PROFESSIONAL EMPLOYEES: (Continued)

Plan Description (Continued)

<http://www.varetire.org/Pdf/Publications/2010-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer.

In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$519,276, \$893,563, and \$1,282,735, for the fiscal years ended 2011, 2010, and 2009, respectively. Employer contributions represented 3.93%, 6.24% (annual average), and 8.81%, of covered payroll for the fiscal years ended 2011, 2010, and 2009, respectively.

**Note 10-Other Postemployment Benefits (OPEB):**

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the School Board recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Component Unit: School Board

A. Plan Description

The County of Alleghany's Component Unit – School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have a minimum of 15 years of service with the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011Note 10-Other Postemployment Benefits (OPEB): (Continued)

## B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 436 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The expected rates for 2011 were as follows:

Participants	KA Expanded Premium	KA-1000 Premium
Single	\$ 591	\$ 474
Dual	1,093	877
Family	1,596	1,280

## C. Annual OPEB Cost

The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Board's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Board's net OPEB obligation to the plan:

Annual required contribution	\$ 151,300
Interest on net OPEB obligation	9,303
Adjustment to annual required contribution	(8,347)
Annual OPEB cost (expense)	152,256
Contributions made	76,700
Increase in net OPEB obligation	75,556
Net OPEB obligation - beginning of year	232,573
Net OPEB obligation - ending of year	\$ 308,129

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 152,256	50%	\$ 308,129
6/30/2010	162,282	44%	232,573
6/30/2009	211,095	33%	141,791

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011Note 10-Other Postemployment Benefits (OPEB): (Continued)

## D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 1,588,200
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,588,200
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 15,818,400
UAAL as a percentage of covered payroll	10.04%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## E. Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 3.75%, an investment rate of return at 4.00%, and a health care trend rate of 6.3% graded to 4.70% over 80 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011, was 29 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**Note 11-Capital Assets:**

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,390,078	\$ -	\$ -	\$ 3,390,078
Total capital assets not being depreciated	<u>\$ 3,390,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,390,078</u>
Capital assets, being depreciated:				
Buildings	\$ 37,384,932	\$ -	\$ -	\$ 37,384,932
Machinery and equipment	4,204,523	98,123	(73,349)	4,229,297
Total capital assets being depreciated	<u>\$ 41,589,455</u>	<u>\$ 98,123</u>	<u>\$ (73,349)</u>	<u>\$ 41,614,229</u>
Less: accumulated depreciation for:				
Buildings	\$ (9,707,013)	\$ (1,116,376)	\$ -	\$ (10,823,389)
Machinery and equipment	(2,669,801)	(274,144)	71,975	(2,871,970)
Total accumulated depreciation	<u>\$ (12,376,814)</u>	<u>\$ (1,390,520)</u>	<u>\$ 71,975</u>	<u>\$ (13,695,359)</u>
Total capital assets being depreciated, net	<u>\$ 29,212,641</u>	<u>\$ (1,292,397)</u>	<u>\$ (1,374)</u>	<u>\$ 27,918,870</u>
Governmental activities capital assets, net	<u>\$ 32,602,719</u>	<u>\$ (1,292,397)</u>	<u>\$ (1,374)</u>	<u>\$ 31,308,948</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011Note 11-Capital Assets: (Continued)

## Primary Government: (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 9,354,165	\$ 16,752,283	\$ (70,038)	\$ 26,036,410
Total capital assets not being depreciated	<u>\$ 9,354,165</u>	<u>\$ 16,752,283</u>	<u>\$ (70,038)</u>	<u>\$ 26,036,410</u>
Capital assets, being depreciated:				
Infrastructure	\$ 21,640,317	\$ 60,921	\$ (3,228)	\$ 21,698,010
Machinery and equipment	119,872	-	-	119,872
Total capital assets being depreciated	<u>\$ 21,760,189</u>	<u>\$ 60,921</u>	<u>\$ (3,228)</u>	<u>\$ 21,817,882</u>
Less:				
Infrastructure	\$ (7,675,015)	\$ (388,090)	\$ 3,228	\$ (8,059,877)
Machinery and equipment	(43,483)	(6,954)	-	(50,437)
Total accumulated depreciation	<u>\$ (7,718,498)</u>	<u>\$ (395,044)</u>	<u>\$ 3,228</u>	<u>\$ (8,110,314)</u>
Total capital assets being depreciated, net	<u>\$ 14,041,691</u>	<u>\$ (334,123)</u>	<u>\$ -</u>	<u>\$ 13,707,568</u>
Business-type activities capital assets, net	<u>\$ 23,395,856</u>	<u>\$ 16,418,160</u>	<u>\$ (70,038)</u>	<u>\$ 39,743,978</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 11-Capital Assets: (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 453,256
Judicial administration	12,438
Public safety	153,034
Public works	97,838
Health and welfare	6,780
Education	647,960
Parks, recreation, and culture	17,215
Community development	<u>1,999</u>
Total depreciation expense-governmental activities	<u>\$ 1,390,520</u>
<b>Business-type activities:</b>	
Water and sewer fund	<u>\$ 395,044</u>
Total depreciation expense-primary government	<u>\$ 1,785,564</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**Note 11-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2011 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,018,272	\$ -	\$ -	\$ 1,018,272
Total capital assets not being depreciated	<u>\$ 1,018,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,272</u>
Capital assets, being depreciated:				
Buildings	\$ 13,242,384	\$ 6,900	\$ -	\$ 13,249,284
Machinery and equipment	4,293,544	282,748	-	4,576,292
Total capital assets being depreciated	<u>\$ 17,535,928</u>	<u>\$ 289,648</u>	<u>\$ -</u>	<u>\$ 17,825,576</u>
Less: accumulated depreciation for:				
Buildings	\$ (6,954,231)	\$ (412,736)	\$ -	\$ (7,366,967)
Machinery and equipment	(2,400,107)	(301,627)	-	(2,701,734)
Total accumulated depreciation	<u>\$ (9,354,338)</u>	<u>\$ (714,363)</u>	<u>\$ -</u>	<u>\$ (10,068,701)</u>
Total capital assets being depreciated, net	<u>\$ 8,181,590</u>	<u>\$ (424,715)</u>	<u>\$ -</u>	<u>\$ 7,756,875</u>
Governmental activities capital assets, net	<u>\$ 9,199,862</u>	<u>\$ (424,715)</u>	<u>\$ -</u>	<u>\$ 8,775,147</u>

**Note 12-Risk Management:**

The County and its component unit – School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit – School Board participate with other localities in a public entity risk pool for their coverage of general liability and public officials liability with the Virginia Association of Counties group self insurance risk pool and VaCoRP. Each member of each of these risk pools jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit – School Board pay VACO and VaCoRP contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pools, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pools may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit – School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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**Note 13-Contingent Liabilities:**

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

**Note 14-Surety Bonds:**

Primary Government:

**Fidelity & Deposit Company of Maryland - Surety:**

Debra N. Byer, Clerk of the Circuit Court	\$ 103,000
Anna Fox, Treasurer	400,000
Valerie Bruffey, Commissioner of the Revenue	3,000
Kevin Hall, Sheriff	30,000
All Constitutional Office employees: blanket bond	50,000
Additional Treasurer's Office bond	100,000
All Social Services employees: blanket bond	100,000
<b><u>Virginia Association of Counties Group Self Insurance Risk Pool:</u></b>	
County Administrator's Employees	\$ 250,000

Component Unit – School Board:

**VACoRP:**

All School Board employees: blanket bond	\$ 250,000
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**Note 15-Commitments and Contingencies:**

The County was involved in major construction projects during the fiscal year as presented below:

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2011</u>
Regional Wastewater Treatment Plant Project(s)	\$ 19,507,400	\$ 3,298,566

The County is also involved in a condemnation case related to an easement for a sewer force main. The County anticipates purchasing the property that is subject to the easement for approximately \$232,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

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**Note 16-Deferred Revenue:**

Deferred (unearned) revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$247,957 is comprised of the following:

Property Taxes – Property tax revenue representing uncollected tax billings not available for funding current expenditures of \$235,986 and prepaid taxes of \$11,971.

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## Required Supplementary Information

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County of Alleghany, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 15,449,447	\$ 15,449,447	\$ 15,524,223	\$ 74,776
Other local taxes	2,144,700	2,144,700	2,288,458	143,758
Permits, privilege fees, and regulatory licenses	35,610	35,610	38,554	2,944
Fines and forfeitures	71,200	71,200	81,829	10,629
Revenue from the use of money and property	97,150	97,150	114,937	17,787
Charges for services	489,774	489,774	500,783	11,009
Miscellaneous	95,021	95,021	533,601	438,580
Recovered costs	1,775,015	1,775,015	1,548,227	(226,788)
Intergovernmental revenues:				
Commonwealth	9,109,708	9,109,708	9,141,562	31,854
Federal	1,633,025	1,633,025	1,394,613	(238,412)
Total revenues	<u>\$ 30,900,650</u>	<u>\$ 30,900,650</u>	<u>\$ 31,166,787</u>	<u>\$ 266,137</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,192,638	\$ 3,024,282	\$ 2,254,023	\$ 770,259
Judicial administration	1,422,411	1,458,202	1,401,529	56,673
Public safety	5,189,574	5,906,511	5,419,873	486,638
Public works	2,866,491	3,084,680	2,643,170	441,510
Health and welfare	4,823,653	5,142,481	3,867,309	1,275,172
Education	11,487,386	13,837,257	11,573,076	2,264,181
Parks, recreation, and cultural	695,243	1,043,496	727,485	316,011
Community development	280,027	496,161	331,195	164,966
Nondepartmental	383,400	1,811,333	5,567	1,805,766
Capital projects	-	3,142,675	365,524	2,777,151
Debt service:				
Principal retirement	1,154,111	1,153,111	1,474,351	(321,240)
Interest and other fiscal charges	920,790	921,790	867,922	53,868
Total expenditures	<u>\$ 31,415,724</u>	<u>\$ 41,021,979</u>	<u>\$ 30,931,024</u>	<u>\$ 10,090,955</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (515,074)</u>	<u>\$ (10,121,329)</u>	<u>\$ 235,763</u>	<u>\$ 10,357,092</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	\$ -	\$ -	\$ 12,175	\$ 12,175
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,175</u>	<u>\$ 12,175</u>
Net change in fund balances	<u>\$ (515,074)</u>	<u>\$ (10,121,329)</u>	<u>\$ 247,938</u>	<u>\$ 10,369,267</u>
Fund balances - beginning	515,074	10,121,329	18,446,361	8,325,032
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,694,299</u>	<u>\$ 18,694,299</u>

County of Alleghany, Virginia  
Special Law Fund  
Schedule of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	Special Law Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 700	\$ 870	\$ 170
Miscellaneous	43,000	42,300	47,210	4,910
Total revenues	\$ 43,000	\$ 43,000	\$ 48,080	\$ 5,080
EXPENDITURES				
Current:				
Public safety	\$ 43,000	\$ 43,000	\$ 17,085	\$ 25,915
Total expenditures	\$ 43,000	\$ 43,000	\$ 17,085	\$ 25,915
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 30,995	\$ 30,995
OTHER FINANCING SOURCES (USES)				
Net change in fund balances	\$ -	\$ -	\$ 30,995	\$ 30,995
Fund balances - beginning	-	-	91,942	91,942
Fund balances - ending	\$ -	\$ -	\$ 122,937	\$ 122,937

County of Alleghany, Virginia  
Required Supplementary Information

Schedules of Funding Progress  
For the Year Ended June 30, 2011

Primary Government: County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2010	\$ 21,529,425	\$ 29,234,583	\$ 7,705,158	73.64%	\$ 6,239,036	123.50%
June 30, 2009	21,302,574	26,339,976	5,037,402	80.88%	6,250,856	80.59%
June 30, 2008	20,619,899	24,860,137	4,240,238	82.94%	6,223,180	68.14%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2010	\$ 8,240,578	\$ 9,146,285	\$ 905,707	90.10%	\$ 1,882,429	48.11%
June 30, 2009	8,403,848	8,517,572	113,724	98.66%	1,914,831	5.94%
June 30, 2008	8,708,707	8,193,726	(514,981)	106.29%	2,010,548	-25.61%

School Board Retirees Medical Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ -	\$ 1,588,200	\$ 1,588,200	0.00%	\$ 15,818,400	10.04%
June 30, 2009	-	1,531,000	1,531,000	0.00%	17,181,200	8.91%
June 30, 2008	-	2,402,777	2,402,777	0.00%	16,482,278	14.58%



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## Other Supplementary Information

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## **FIDUCIARY FUNDS**

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Friends of Youth – The Friends of Youth fund accounts for those funds belonging to the youth in the area for health and welfare purposes.

Human and Leisure – The Human and Leisure fund accounts for those funds from patrons for prepayments of recreational activities.

Humane Society Capital Improvements – The Humane Society Capital Improvements fund accounts for those funds held in a fiduciary capacity for the Humane Society for capital improvements.

Jackson River Vocational Center – The Jackson River Vocational Center fund accounts for those funds held in a fiduciary capacity for the Jackson River Vocational Center.

Special Welfare – The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

United Fire and Rescue Association – The United Fire and Rescue fund accounts for those funds held for local fire and rescue agencies.

Alleghany Highlands Economic Development Corporation – The Alleghany Highlands Economic Development Corporation fund accounts for those funds held in a fiduciary capacity for the Alleghany Highlands Economic Development Corporation.

County of Allegheny, Virginia  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

		Agency Funds							
		Friends of Youth	Human & Leisure Service	Humane Society Capital Improvements	Jackson River Vocational Center	Special Welfare	United Fire & Rescue Association	Allegheny Highlands Economic Development Corporation	Total
ASSETS									
Cash and cash equivalents	\$	3,389 \$	775 \$	5,131 \$	295,103 \$	8,160 \$	100,776 \$	19,170 \$	432,504
Receivables:									
Accounts receivable		-	-	-	-	-	-	209,532	209,532
Total assets	\$	3,389 \$	775 \$	5,131 \$	295,103 \$	8,160 \$	100,776 \$	228,702 \$	642,036
LIABILITIES									
Accounts payable	\$	- \$	- \$	- \$	- \$	- \$	- \$	132,004 \$	132,004
Amounts held for AHEDC		-	-	-	-	-	-	96,698	96,698
Amounts held for social services clients		-	-	-	-	8,160	-	-	8,160
Amounts held for Friends of Youth		3,389	-	-	-	-	-	-	3,389
Amounts held for Human and Leisure Activity		-	775	-	-	-	-	-	775
Amounts held for Jackson River Vocational Center		-	-	-	295,103	-	-	-	295,103
Amounts held for United Fire and Rescue Association		-	-	-	-	-	100,776	-	100,776
Amounts held for Humane Society		-	-	5,131	-	-	-	-	5,131
Total liabilities	\$	3,389 \$	775 \$	5,131 \$	295,103 \$	8,160 \$	100,776 \$	228,702 \$	642,036

## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

### **MAJOR GOVERNMENTAL FUNDS**

School Operating Fund - The School Operating Fund accounts for and reports the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

County of Alleghany, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2011

	School Operating <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,456,373	\$ 199,005	\$ 3,655,378
Cash in custody of others	291,453	-	291,453
Receivables (net of allowance for uncollectibles):			
Accounts receivable	90,714	-	90,714
Due from other funds	75,000	-	75,000
Due from primary government	2,287,473	-	2,287,473
Due from other governmental units	595,960	-	595,960
Inventories	10,891	-	10,891
Prepaid items	201,730	-	201,730
Total assets	<u>\$ 7,009,594</u>	<u>\$ 199,005</u>	<u>\$ 7,208,599</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 75,154	\$ -	\$ 75,154
Accrued liabilities	2,292,410	28,006	2,320,416
Due to other funds	-	75,000	75,000
Total liabilities	<u>\$ 2,367,564</u>	<u>\$ 103,006</u>	<u>\$ 2,470,570</u>
Fund balance:			
Nonspendable	\$ 287,621	\$ -	\$ 287,621
Committed	4,354,409	95,999	4,450,408
Total fund balances	<u>\$ 4,642,030</u>	<u>\$ 95,999</u>	<u>\$ 4,738,029</u>
Total liabilities and fund balances	<u>\$ 7,009,594</u>	<u>\$ 199,005</u>	<u>\$ 7,208,599</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above	\$ 4,738,029
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,775,147
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(438,935)
Net assets of governmental activities	<u>\$ 13,074,241</u>

County of Alleghany, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2011

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 6,711	\$ -	\$ 6,711
Charges for services	604,142	88,388	692,530
Miscellaneous	246,247	137,706	383,953
Recovered costs	115,454	-	115,454
Intergovernmental revenues:			
Local government	11,563,846	-	11,563,846
Commonwealth	13,280,205	131,011	13,411,216
Federal	3,292,191	-	3,292,191
Total revenues	<u>\$ 29,108,796</u>	<u>\$ 357,105</u>	<u>\$ 29,465,901</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 28,041,139	\$ 484,017	\$ 28,525,156
Capital projects	9,100	-	9,100
Total expenditures	<u>\$ 28,050,239</u>	<u>\$ 484,017</u>	<u>\$ 28,534,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,058,557</u>	<u>\$ (126,912)</u>	<u>\$ 931,645</u>
Net change in fund balances	\$ 1,058,557	\$ (126,912)	\$ 931,645
Fund balances - beginning	3,583,473	222,911	3,806,384
Fund balances - ending	<u>\$ 4,642,030</u>	<u>\$ 95,999</u>	<u>\$ 4,738,029</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because

Net change in fund balances - total governmental funds - per above \$ 931,645

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. (424,715)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds 5,637

Change in net assets of governmental activities \$ 512,567

County of Alleghany, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2011

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 10,000	\$ 10,000	\$ 6,711	\$ (3,289)
Charges for services	-	-	604,142	604,142
Miscellaneous	94,804	94,804	246,247	151,443
Recovered costs	109,277	109,277	115,454	6,177
Intergovernmental revenues:				
Local government	11,478,156	11,478,156	11,563,846	85,690
Commonwealth	13,541,329	13,541,329	13,280,205	(261,124)
Federal	2,461,326	2,461,326	3,292,191	830,865
Total revenues	<u>\$ 27,694,892</u>	<u>\$ 27,694,892</u>	<u>\$ 29,108,796</u>	<u>\$ 1,413,904</u>
EXPENDITURES				
Current:				
Education	\$ 27,677,237	\$ 27,677,237	\$ 28,041,139	\$ (363,902)
Capital projects	410,000	410,000	9,100	400,900
Total expenditures	<u>\$ 28,087,237</u>	<u>\$ 28,087,237</u>	<u>\$ 28,050,239</u>	<u>\$ 36,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (392,345)</u>	<u>\$ (392,345)</u>	<u>\$ 1,058,557</u>	<u>\$ 1,450,902</u>
Net change in fund balances	\$ (392,345)	\$ (392,345)	\$ 1,058,557	\$ 1,450,902
Fund balances - beginning	392,345	392,345	3,583,473	3,191,128
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,642,030</u>	<u>\$ 4,642,030</u>

County of Alleghany, Virginia  
Combining Balance Sheet  
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board  
June 30, 2011

	Alleghany Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 88,454	\$ 110,551	\$ 199,005
Total assets	<u>\$ 88,454</u>	<u>\$ 110,551</u>	<u>\$ 199,005</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accrued liabilities	\$ 28,006	\$ -	\$ 28,006
Due to other funds	-	75,000	75,000
Total liabilities	<u>\$ 28,006</u>	<u>\$ 75,000</u>	<u>\$ 103,006</u>
Fund balances:			
Committed	\$ 60,448	\$ 35,551	\$ 95,999
Total liabilities and fund balances	<u>\$ 88,454</u>	<u>\$ 110,551</u>	<u>\$ 199,005</u>



County of Alleghany, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2011

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	Alleghany Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for services	\$ -	\$ 88,388	\$ 88,388
Miscellaneous	137,706	-	137,706
Intergovernmental revenues:			
Commonwealth	-	131,011	131,011
Total revenues	<u>\$ 137,706</u>	<u>\$ 219,399</u>	<u>\$ 357,105</u>
 <b>EXPENDITURES</b>			
Current:			
Education	<u>\$ 288,222</u>	<u>\$ 195,795</u>	<u>\$ 484,017</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>\$ (150,516)</u>	<u>\$ 23,604</u>	<u>\$ (126,912)</u>
 Net change in fund balances	\$ (150,516)	\$ 23,604	\$ (126,912)
Fund balances - beginning	210,964	11,947	222,911
Fund balances - ending	<u><u>\$ 60,448</u></u>	<u><u>\$ 35,551</u></u>	<u><u>\$ 95,999</u></u>

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## Supporting Schedules

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County of Allegheny, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 1  
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,235,402	\$ 6,235,402	\$ 6,356,356	\$ 120,954
Real and personal public service corporation taxes	642,513	642,513	663,154	20,641
Personal property taxes	1,658,236	1,658,236	1,705,796	47,560
Mobile home taxes	24,596	24,596	24,119	(477)
Machinery and tools taxes	6,783,000	6,783,000	6,639,846	(143,154)
Penalties	75,700	75,700	91,444	15,744
Interest	30,000	30,000	43,508	13,508
Total general property taxes	\$ 15,449,447	\$ 15,449,447	\$ 15,524,223	\$ 74,776
Other local taxes:				
Local sales and use taxes	\$ 637,000	\$ 637,000	\$ 694,063	\$ 57,063
Consumers' utility taxes	272,000	272,000	261,758	(10,242)
Probate taxes	2,500	2,500	4,340	1,840
Business license taxes	375,000	375,000	314,879	(60,121)
Utility consumption taxes	175,200	175,200	194,364	19,164
Motor vehicle licenses	270,000	270,000	277,785	7,785
Taxes on recordation and wills	38,000	38,000	70,325	32,325
Hotel and motel room taxes	70,000	70,000	152,966	82,966
Restaurant food taxes	305,000	305,000	317,041	12,041
Cell phone tax	-	-	937	937
Total other local taxes	\$ 2,144,700	\$ 2,144,700	\$ 2,288,458	\$ 143,758
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 9,000	\$ 9,000	\$ 8,775	\$ (225)
Land use application fees	500	500	336	(164)
Transfer fees	575	575	504	(71)
Zoning and subdivision fees	2,425	2,425	2,779	354
Erosion and sediment control	260	260	287	27
Permits and other licenses	22,850	22,850	25,873	3,023
Total permits, privilege fees, and regulatory licenses	\$ 35,610	\$ 35,610	\$ 38,554	\$ 2,944
Fines and forfeitures:				
Court fines and forfeitures	\$ 71,200	\$ 71,200	\$ 81,829	\$ 10,629
Total fines and forfeitures	\$ 71,200	\$ 71,200	\$ 81,829	\$ 10,629
Revenue from use of money and property:				
Revenue from use of money	\$ 91,950	\$ 91,950	\$ 110,387	\$ 18,437
Revenue from use of property	5,200	5,200	4,550	(650)
Total revenue from use of money and property	\$ 97,150	\$ 97,150	\$ 114,937	\$ 17,787
Charges for services:				
Charges for law enforcement and traffic control	\$ 10,324	\$ 10,324	\$ 1,824	\$ (8,500)
Charges for courthouse maintenance	18,000	18,000	16,918	(1,082)
Sale of publications and maps	300	300	71	(229)
Charges for gasoline	119,900	119,900	99,407	(20,493)
Charges for Commonwealth's Attorney	850	850	2,094	1,244
Miscellaneous jail and inmate fees	5,000	5,000	5,112	112
Charges for sanitation and waste removal	200,000	200,000	229,989	29,989
Charges for copies	4,100	4,100	4,451	351
Charges for parks and recreation	41,000	41,000	48,338	7,338
Charges for law library	4,500	4,500	4,671	171
Charges for courthouse security	75,800	75,800	77,465	1,665
Charges for other services	10,000	10,000	10,443	443
Total charges for services	\$ 489,774	\$ 489,774	\$ 500,783	\$ 11,009

County of Alleghany, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 1  
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 62,021	\$ 62,021	\$ 36,080	\$ (25,941)
Donations	15,000	15,000	20,563	5,563
Sale of surplus	18,000	18,000	8,043	(9,957)
Westvaco grant	-	-	60,000	60,000
Sale of supplies	-	-	35	35
Alleghany Foundation contributions	-	-	408,880	408,880
Total miscellaneous revenue	\$ 95,021	\$ 95,021	\$ 533,601	\$ 438,580
Recovered costs:				
Care of prisoners	\$ 182,369	\$ 182,369	\$ 191,124	\$ 8,755
Co-payment for medical charges	4,000	4,000	6,301	2,301
Circuit court-joint operations	1,714	1,714	1,714	-
Program income IPR	31,275	31,275	2,412	(28,863)
LOA County reimbursement	21,055	21,055	15,636	(5,419)
Health department	1,500	1,500	1,500	-
Bath county-jail	68,000	68,000	78,541	10,541
Covington-magistrate, probation	6,337	6,337	3,683	(2,654)
Clifton Forge E911	-	-	53,047	53,047
Covington-welfare	762,060	762,060	535,199	(226,861)
AHSD resource officer	74,309	74,309	-	(74,309)
General government	602,796	602,796	602,796	-
General District Court postage	4,900	4,900	6,541	1,641
Title XX	2,000	2,000	1,752	(248)
Gis grant	-	-	34,900	34,900
Other recovered costs	12,700	12,700	13,081	381
Total recovered costs	\$ 1,775,015	\$ 1,775,015	\$ 1,548,227	\$ (226,788)
Total revenue from local sources	\$ 20,157,917	\$ 20,157,917	\$ 20,630,612	\$ 472,695
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 62,070	\$ 62,070	\$ -	\$ (62,070)
Mobile home titling tax	10,000	10,000	10,072	72
State recordation tax	-	-	19,256	19,256
Communication taxes	418,000	418,000	438,045	20,045
Additional tax on deeds	14,010	14,010	28,892	14,882
Personal property tax relief funds	1,610,808	1,610,808	1,610,808	-
Total noncategorical aid	\$ 2,114,888	\$ 2,114,888	\$ 2,107,073	\$ (7,815)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 356,292	\$ 356,292	\$ 368,184	\$ 11,892
Sheriff	1,895,133	1,895,133	2,018,062	122,929
Commissioner of revenue	112,115	112,115	143,334	31,219
Treasurer	93,440	93,440	128,408	34,968
Medical examiner	200	200	-	(200)
Registrar/electoral board	41,130	41,130	38,267	(2,863)
Clerk of the Circuit Court	279,259	279,259	358,260	79,001
Reduction in State Aid	-	-	(184,711)	(184,711)
Total shared expenses	\$ 2,777,569	\$ 2,777,569	\$ 2,869,804	\$ 92,235
Other categorical aid:				
Welfare administration and public assistance	\$ 757,788	\$ 757,788	\$ 595,712	\$ (162,076)
Comprehensive services act	656,453	656,453	573,758	(82,695)
Wireless E-911 grant	-	-	38,867	38,867
Drug asset forfeiture revenue	5,750	5,750	46,146	40,396

County of Allegheny, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 1  
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Emergency medical services	\$ 18,000	\$ 18,000	\$ 17,524	\$ (476)
Community development grant	71,000	71,000	62,613	(8,387)
IPR funds	5,563	5,563	11,337	5,774
SNAP- loan subsidy	-	-	257,861	257,861
Litter control grant	9,601	9,601	14,988	5,387
Fire services grant	35,000	35,000	38,546	3,546
Performing arts grant	5,000	5,000	5,000	-
State sales tax	2,403,096	2,403,096	2,501,333	98,237
Bike grant	-	-	1,000	1,000
Hold harmless reversion (actual distributed to shared expenses)	100,000	100,000	-	(100,000)
Other state grants	150,000	150,000	-	(150,000)
Total other categorical aid	<u>\$ 4,217,251</u>	<u>\$ 4,217,251</u>	<u>\$ 4,164,685</u>	<u>\$ (52,566)</u>
Total categorical aid	<u>\$ 6,994,820</u>	<u>\$ 6,994,820</u>	<u>\$ 7,034,489</u>	<u>\$ 39,669</u>
Total revenue from the Commonwealth	<u>\$ 9,109,708</u>	<u>\$ 9,109,708</u>	<u>\$ 9,141,562</u>	<u>\$ 31,854</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 143,777</u>	<u>\$ 43,777</u>
Categorical aid:				
Welfare administration and public assistance	\$ 1,527,515	\$ 1,527,515	\$ 1,193,835	\$ (333,680)
T-21 trail grant	-	-	32,881	32,881
State and community highway safety	-	-	24,120	24,120
Bulletproof vest grant	5,510	5,510	-	(5,510)
Total categorical aid	<u>\$ 1,533,025</u>	<u>\$ 1,533,025</u>	<u>\$ 1,250,836</u>	<u>\$ (282,189)</u>
Total revenue from the federal government	<u>\$ 1,633,025</u>	<u>\$ 1,633,025</u>	<u>\$ 1,394,613</u>	<u>\$ (238,412)</u>
Total General Fund	<u>\$ 30,900,650</u>	<u>\$ 30,900,650</u>	<u>\$ 31,166,787</u>	<u>\$ 266,137</u>
<b>Special Revenue Fund:</b>				
<b>Special Law Fund:</b>				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 700	\$ 870	\$ 170
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 700</u>	<u>\$ 870</u>	<u>\$ 170</u>
Miscellaneous revenue:				
Vending machine collections	\$ 31,500	\$ 30,700	\$ 34,255	\$ 3,555
Jail commissary collections	7,000	7,100	10,775	3,675
Work release collections	4,500	4,500	2,180	(2,320)
Total miscellaneous revenue	<u>\$ 43,000</u>	<u>\$ 42,300</u>	<u>\$ 47,210</u>	<u>\$ 4,910</u>
Total revenue from local sources	<u>\$ 43,000</u>	<u>\$ 43,000</u>	<u>\$ 48,080</u>	<u>\$ 5,080</u>
Total Special Law Fund	<u>\$ 43,000</u>	<u>\$ 43,000</u>	<u>\$ 48,080</u>	<u>\$ 5,080</u>
Total Primary Government	<u>\$ 30,943,650</u>	<u>\$ 30,943,650</u>	<u>\$ 31,214,867</u>	<u>\$ 271,217</u>

County of Alleghany, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 1  
Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,000	\$ 10,000	\$ 6,711	\$ (3,289)
Total revenue from use of money and property	\$ 10,000	\$ 10,000	\$ 6,711	\$ (3,289)
Charges for services:				
Charges for education	\$ -	\$ -	\$ 8,015	\$ 8,015
Cafeteria sales	-	-	584,999	584,999
Use of buses and facilities	-	-	11,128	11,128
Total charges for services	\$ -	\$ -	\$ 604,142	\$ 604,142
Miscellaneous revenue:				
Other miscellaneous	\$ 94,804	\$ 94,804	\$ 246,247	\$ 151,443
Total miscellaneous revenue	\$ 94,804	\$ 94,804	\$ 246,247	\$ 151,443
Recovered costs:				
Erate	\$ 65,000	\$ 65,000	\$ 33,076	\$ (31,924)
Other recovered costs	44,277	44,277	82,378	38,101
Total recovered costs	\$ 109,277	\$ 109,277	\$ 115,454	\$ 6,177
Total revenue from local sources	\$ 214,081	\$ 214,081	\$ 972,554	\$ 758,473
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Alleghany, Virginia	\$ 11,478,156	\$ 11,478,156	\$ 11,563,846	\$ 85,690
Total revenues from local governments	\$ 11,478,156	\$ 11,478,156	\$ 11,563,846	\$ 85,690
Revenue from the Commonwealth:				
Noncategorical aid:				
Categorical aid:				
Basic school aid	\$ 9,047,524	\$ 9,047,524	\$ 8,973,405	\$ (74,119)
Remedial summer education	52,125	52,125	32,713	(19,412)
Regular foster care	135,013	135,013	64,477	(70,536)
GED prep program	7,859	7,859	7,859	-
Gifted and talented	96,436	96,436	96,356	(80)
Remedial education	239,991	239,991	239,820	(171)
Special education	1,277,095	1,277,095	1,276,188	(907)
Textbook payment	112,581	112,581	112,507	(74)
Vocational standards of quality payments	244,277	244,277	244,103	(174)
Vocational adult education	-	-	5,494	5,494
Social security fringe benefits	578,550	578,550	578,139	(411)
Retirement fringe benefits	342,844	342,844	342,601	(243)
Governor's school grant	129,556	129,556	56,097	(73,459)
Early reading intervention	33,388	33,388	35,773	2,385
School food	28,736	28,736	24,284	(4,452)
Mental health initiative	63,769	63,769	50,458	(13,311)
Special education - foster children	-	-	25,376	25,376
Homebound	43,397	43,397	33,298	(10,099)
At risk payments	225,095	225,095	224,842	(253)
Board certifications	-	-	12,500	12,500

County of Allegheny, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 1  
Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Project graduation	\$ -	\$ -	\$ 260	\$ 260
Primary class size	186,059	186,059	177,356	(8,703)
Technology	334,000	334,000	356,914	22,914
Standards of Learning algebra readiness	34,219	34,219	36,603	2,384
Group life insurance	21,428	21,428	21,413	(15)
At risk four-year olds	235,470	235,470	188,376	(47,094)
Career and Technical Education	54,509	54,509	36,277	(18,232)
Mentor teacher program	2,155	2,155	3,491	1,336
English as a second language	15,253	15,253	12,287	(2,966)
Other state funds	-	-	10,938	10,938
Total categorical aid	\$ 13,541,329	\$ 13,541,329	\$ 13,280,205	\$ (261,124)
Total revenue from the Commonwealth	\$ 13,541,329	\$ 13,541,329	\$ 13,280,205	\$ (261,124)
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 179,337	\$ 179,337	\$ 173,543	\$ (5,794)
Title I	497,810	497,810	580,555	82,745
Title VI-B, special education flow-through	525,525	525,525	700,300	174,775
Title VI-B, special education pre-school	21,153	21,153	13,360	(7,793)
Vocational education	48,529	48,529	44,887	(3,642)
Drug free schools	-	-	5,830	5,830
Title II - Part A	141,651	141,651	137,485	(4,166)
Title I - ARRA	-	-	150,387	150,387
Special education - ARRA	-	-	275,603	275,603
State stabilization funds	420,861	420,861	409,434	(11,427)
School food program	626,460	626,460	789,319	162,859
Enhancing education through technology	-	-	11,488	11,488
Total categorical aid	\$ 2,461,326	\$ 2,461,326	\$ 3,292,191	\$ 830,865
Total revenue from the federal government	\$ 2,461,326	\$ 2,461,326	\$ 3,292,191	\$ 830,865
Total School Operating Fund	\$ 27,694,892	\$ 27,694,892	\$ 29,108,796	\$ 1,413,904
<b>Non major Special Revenue funds:</b>				
<b>Allegheny Highlands Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 137,706	\$ 137,706
Total miscellaneous revenue	\$ -	\$ -	\$ 137,706	\$ 137,706
Total revenue from local sources	\$ -	\$ -	\$ 137,706	\$ 137,706
Total Allegheny Highlands Fund	\$ -	\$ -	\$ 137,706	\$ 137,706

County of Alleghany, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 1  
Page 6 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Non major Special Revenue funds: (Continued)				
Governor's School Fund:				
Revenue from local sources:				
Charges for services:				
Tuition	\$ -	\$ -	\$ 88,388	\$ 88,388
Total charges for services	\$ -	\$ -	\$ 88,388	\$ 88,388
Total revenue from local sources	\$ -	\$ -	\$ 88,388	\$ 88,388
Intergovernmental revenues:				
Categorical aid:				
Governor's school grant	\$ -	\$ -	\$ 56,097	\$ 56,097
Technology funds	-	-	74,914	74,914
Total categorical aid	\$ -	\$ -	\$ 131,011	\$ 131,011
Total revenue from the Commonwealth	\$ -	\$ -	\$ 131,011	\$ 131,011
Total Governor's School Fund	\$ -	\$ -	\$ 219,399	\$ 219,399
Total Discretely Presented Component Unit - School Board	\$ 27,694,892	\$ 27,694,892	\$ 29,465,901	\$ 1,771,009



County of Alleghany, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2  
Page 1 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 106,782	\$ 351,095	\$ 250,467	\$ 100,628
General and financial administration:				
County administrator	\$ 801,569	\$ 1,002,811	\$ 789,283	\$ 213,528
Personnel	16,911	29,374	16,982	12,392
Legal services	30,000	39,690	39,689	1
Special legal services	500	20,815	11,450	9,365
Commissioner of revenue	309,904	319,941	312,499	7,442
Reassessment	50,000	150,309	309	150,000
Automotive motor pool	336,800	337,101	297,922	39,179
Treasurer	377,287	497,530	366,569	130,961
Audit services	45,000	62,855	41,511	21,344
Technology department	11,650	102,320	17,018	85,302
Total general and financial administration	\$ 1,979,621	\$ 2,562,746	\$ 1,893,232	\$ 669,514
Board of elections:				
Registrar	\$ 71,447	\$ 75,653	\$ 75,379	\$ 274
Electoral board and officials	34,788	34,788	34,945	(157)
Total board of elections	\$ 106,235	\$ 110,441	\$ 110,324	\$ 117
Total general government administration	\$ 2,192,638	\$ 3,024,282	\$ 2,254,023	\$ 770,259
Judicial administration:				
Courts:				
Circuit court	\$ 76,322	\$ 76,476	\$ 73,351	\$ 3,125
General district court	15,972	17,435	16,987	448
Special magistrates	4,575	4,575	3,441	1,134
Sheriff	422,759	422,632	395,316	27,316
Law library	4,500	4,850	4,791	59
Clerk of the circuit court	417,988	440,954	421,881	19,073
Total courts	\$ 942,116	\$ 966,922	\$ 915,767	\$ 51,155
Commonwealth's attorney:				
Commonwealth's attorney	\$ 480,295	\$ 491,280	\$ 485,762	\$ 5,518
Total commonwealth's attorney	\$ 480,295	\$ 491,280	\$ 485,762	\$ 5,518
Total judicial administration	\$ 1,422,411	\$ 1,458,202	\$ 1,401,529	\$ 56,673
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,636,952	\$ 1,721,261	\$ 1,557,142	\$ 164,119
Crime prevention	12,000	16,399	14,399	2,000
COPS Technology Grant	-	467,650	261,568	206,082
National forest patrol	9,151	9,151	4,079	5,072
DARE program	50,869	50,869	30,995	19,874
School resource officer	92,815	92,815	83,232	9,583
Crime stoppers	3,500	3,500	-	3,500

County of Alleghany, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2  
Page 2 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
<b>Public safety: (Continued)</b>				
Law enforcement and traffic control: (Continued)				
Radar transportation	\$ 15,204	\$ 15,204	\$ 15,204	\$ -
Drug task force	1,000	1,000	1,000	-
Drug asset forfeiture	5,800	15,900	13,578	2,322
Total law enforcement and traffic control	\$ 1,827,291	\$ 2,393,749	\$ 1,981,197	\$ 412,552
Fire and rescue services:				
Fire departments	\$ 74,000	\$ 74,000	\$ 73,987	\$ 13
Volunteer fire departments	293,700	293,700	289,204	4,496
Emergency services	300	300	208	92
Ambulance and rescue services	261,692	261,692	260,692	1,000
Sara III Emergency Council	250	250	204	46
United fire and rescue association	264,100	292,290	270,920	21,370
Total fire and rescue services	\$ 894,042	\$ 922,232	\$ 895,215	\$ 27,017
Correction and detention:				
Sheriff-correction and detention	\$ 1,810,951	\$ 1,813,852	\$ 1,806,327	\$ 7,525
Probation	5,000	5,000	3,277	1,723
Juvenile diversion	0	4,816	4,545	271
Courthouse security	76,700	80,800	81,518	(718)
VJCCA grant	3,617	3,617	3,617	-
Total correction and detention	\$ 1,896,268	\$ 1,908,085	\$ 1,899,284	\$ 8,801
Inspections:				
Building	\$ 114,789	\$ 129,767	\$ 116,111	\$ 13,656
Total inspections	\$ 114,789	\$ 129,767	\$ 116,111	\$ 13,656
Other protection:				
Animal control	\$ 60,960	\$ 64,652	\$ 61,390	\$ 3,262
Animal protection	71,509	73,909	71,664	2,245
Medical examiner	400	400	180	220
E-911	324,315	413,717	394,832	18,885
Total other protection	\$ 457,184	\$ 552,678	\$ 528,066	\$ 24,612
Total public safety	\$ 5,189,574	\$ 5,906,511	\$ 5,419,873	\$ 486,638
<b>Public works:</b>				
Sanitation and waste removal:				
Refuse collection	\$ 755,201	\$ 862,338	\$ 666,125	\$ 196,213
Refuse disposal	1,206,224	1,218,798	1,136,004	82,794
General engineering	47,983	53,500	47,694	5,806
Multiflora Rose program	0	18,815	1,207	17,608
Recycling program	58,471	58,471	57,563	908
Total sanitation and waste removal	\$ 2,067,879	\$ 2,211,922	\$ 1,908,593	\$ 303,329
Maintenance of general buildings and grounds:				
General maintenance	\$ 234,794	\$ 219,721	\$ 205,853	\$ 13,868
General properties	563,818	653,037	528,724	124,313
Total maintenance of general buildings and grounds	\$ 798,612	\$ 872,758	\$ 734,577	\$ 138,181
Total public works	\$ 2,866,491	\$ 3,084,680	\$ 2,643,170	\$ 441,510

County of Alleghany, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2  
Page 3 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Health and welfare:				
Health:				
Supplement of local health department	\$ 163,917	\$ 166,917	\$ 159,944	\$ 6,973
Total health	\$ 163,917	\$ 166,917	\$ 159,944	\$ 6,973
Mental health and mental retardation:				
Community services board	\$ 70,413	\$ 70,413	\$ 70,413	\$ -
Total mental health and mental retardation	\$ 70,413	\$ 70,413	\$ 70,413	\$ -
Welfare:				
Administration	\$ 1,761,767	\$ 1,762,922	\$ 1,660,995	\$ 101,927
Public assistance	1,615,235	1,615,235	766,249	848,986
Emergency repair fund	11,126	15,903	9,615	6,288
Indoor plumbing rehabilitation fund	102,275	322,122	63,657	258,465
Free clinic	9,000	9,000	9,000	-
TAP	5,775	5,775	5,775	-
Tax relief for the elderly	131,000	131,000	109,995	21,005
Safehomes, Inc.	5,000	5,000	5,000	-
Board of public welfare	3,600	3,600	3,500	100
Comprehensive services	921,249	1,005,689	985,816	19,873
Other welfare	12,037	12,037	11,787	250
CDBG-housing boiling springs	11,259	16,868	5,563	11,305
Total welfare	\$ 4,589,323	\$ 4,905,151	\$ 3,636,952	\$ 1,268,199
Total health and welfare	\$ 4,823,653	\$ 5,142,481	\$ 3,867,309	\$ 1,275,172
Education:				
Other instructional costs:				
Contributions to Dabney S. Lancaster Community College	\$ 9,230	\$ 9,230	\$ 9,230	\$ -
Contribution to County School Board	11,478,156	13,828,027	11,563,846	2,264,181
Total education	\$ 11,487,386	\$ 13,837,257	\$ 11,573,076	\$ 2,264,181
Parks, recreation, and cultural:				
Parks and recreation:				
Human and leisure services	\$ 488,300	\$ 601,134	\$ 465,005	\$ 136,129
Scenic trail	19,188	249,607	69,725	179,882
Clifton little league	9,000	9,000	9,000	-
Covington little league	9,000	9,000	9,000	-
Salvation Army community center	25,000	25,000	25,000	-
Iron gate recreation	2,000	2,000	2,000	-
Total parks and recreation	\$ 552,488	\$ 895,741	\$ 579,730	\$ 316,011
Cultural enrichment:				
Alleghany concert series	\$ 5,700	\$ 5,700	\$ 5,700	\$ -
Alleghany crafts	1,800	1,800	1,800	-
Arts grant	5,000	5,000	5,000	-
Total cultural enrichment	\$ 12,500	\$ 12,500	\$ 12,500	\$ -

County of Alleghany, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2  
Page 4 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural: (continued)				
Library:				
Contribution to regional library	\$ 112,000	\$ 117,000	\$ 117,000	\$ -
Contribution to Clifton library	18,255	18,255	18,255	-
Total library	<u>\$ 130,255</u>	<u>\$ 135,255</u>	<u>\$ 135,255</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 695,243</u>	<u>\$ 1,043,496</u>	<u>\$ 727,485</u>	<u>\$ 316,011</u>
Community development:				
Planning and community development:				
Community development	\$ 69,365	\$ 76,470	\$ 76,470	\$ -
Economic development	125,015	279,165	124,278	154,887
Boards and commissions	22,153	17,032	14,641	2,391
Tourism initiative	0	60,000	60,000	-
Jackson River Enterprises	15,000	15,000	15,000	-
Chamber Indust.	10,700	10,700	10,700	-
Total planning and community development	<u>\$ 242,233</u>	<u>\$ 458,367</u>	<u>\$ 301,089</u>	<u>\$ 157,278</u>
Environmental management:				
Contribution to soil and water district	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Total environmental management	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 35,294	\$ 35,294	\$ 27,606	\$ 7,688
Total cooperative extension program	<u>\$ 35,294</u>	<u>\$ 35,294</u>	<u>\$ 27,606</u>	<u>\$ 7,688</u>
Total community development	<u>\$ 280,027</u>	<u>\$ 496,161</u>	<u>\$ 331,195</u>	<u>\$ 164,966</u>
Nondepartmental:				
Contingencies	\$ 383,400	\$ 1,811,333	\$ 5,567	\$ 1,805,766
Total nondepartmental	<u>\$ 383,400</u>	<u>\$ 1,811,333</u>	<u>\$ 5,567</u>	<u>\$ 1,805,766</u>
Capital projects:				
Other capital projects	\$ -	\$ 401,157	\$ 48,330	\$ 352,827
Bridge Construction	-	1,062,730	-	1,062,730
Jackson River Scenic Trail	-	1,498,279	211,609	1,286,670
Courthouse Heating/Cooling	-	1,900	-	1,900
Gateway Improvements	-	52,850	49,168	3,682
Commerce Center Improvements	-	125,759	56,417	69,342
Total capital projects	<u>\$ -</u>	<u>\$ 3,142,675</u>	<u>\$ 365,524</u>	<u>\$ 2,777,151</u>
Debt service:				
Principal retirement	\$ 1,154,111	\$ 1,153,111	\$ 1,474,351	\$ (321,240)
Interest and other fiscal charges	920,790	921,790	867,922	53,868
Total debt service	<u>\$ 2,074,901</u>	<u>\$ 2,074,901</u>	<u>\$ 2,342,273</u>	<u>\$ (267,372)</u>
Total General Fund	<u>\$ 31,415,724</u>	<u>\$ 41,021,979</u>	<u>\$ 30,931,024</u>	<u>\$ 10,090,955</u>

County of Alleghany, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2  
Page 5 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Fund:</b>				
<b>Special Law Fund:</b>				
Public safety:				
Correction and detention:				
Sheriff	\$ 43,000	\$ 43,000	\$ 17,085	\$ 25,915
Total public safety	\$ 43,000	\$ 43,000	\$ 17,085	\$ 25,915
Total Special Law Fund	\$ 43,000	\$ 43,000	\$ 17,085	\$ 25,915
Total Primary Government	\$ 31,458,724	\$ 41,064,979	\$ 30,948,109	\$ 10,116,870
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration	\$ 1,391,042	\$ 1,391,042	\$ 1,222,938	\$ 168,104
Total administration of schools	\$ 1,391,042	\$ 1,391,042	\$ 1,222,938	\$ 168,104
Instruction costs:				
Instruction costs	\$ 20,213,244	\$ 20,213,244	\$ 20,338,096	\$ (124,852)
Total instruction costs	\$ 20,213,244	\$ 20,213,244	\$ 20,338,096	\$ (124,852)
Operating costs:				
Attendance and health services				
Pupil transportation	\$ 1,930,597	\$ 1,930,597	\$ 1,818,519	\$ 112,078
Operation and maintenance of school plant	3,454,034	3,454,034	3,315,013	139,021
School food and other non-instructional costs <sup>(1)</sup>	688,320	688,320	1,346,573	(658,253)
Total operating costs	\$ 6,072,951	\$ 6,072,951	\$ 6,480,105	\$ (407,154)
Total education	\$ 27,677,237	\$ 27,677,237	\$ 28,041,139	\$ (363,902)
Capital projects:				
School capital projects	\$ 410,000	\$ 410,000	\$ 9,100	\$ 400,900
Total School Operating Fund	\$ 28,087,237	\$ 28,087,237	\$ 28,050,239	\$ 36,998

<sup>(1)</sup> Includes Cafeteria Funds held by the School System not subject to appropriation.

**Non major Special Revenue funds:**

**Alleghany Highlands Fund:**

Education:

    Instruction costs:

        Instruction costs

        Total instruction costs

    Total education

    Total Alleghany Highlands Fund

\$ -	\$ 174,729	\$ 288,222	\$ (113,493)
\$ -	\$ 174,729	\$ 288,222	\$ (113,493)
\$ -	\$ 174,729	\$ 288,222	\$ (113,493)
\$ -	\$ 174,729	\$ 288,222	\$ (113,493)

County of Alleghany, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2  
Page 6 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board (Continued)				
Non major Special Revenue funds: (Continued)				
Governor's School Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ -	\$ 43,060	\$ 195,795	\$ (152,735)
Total education	\$ -	\$ 43,060	\$ 195,795	\$ (152,735)
Total Governor's School Fund	\$ -	\$ 43,060	\$ 195,795	\$ (152,735)
Total Discretely Presented Component Unit - School Board	\$ 28,087,237	\$ 28,305,026	\$ 28,534,256	\$ (229,230)

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## Other Statistical Information

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Table 1

County of Alleghany, Virginia  
Government-Wide Expenses by Function  
Last Nine Fiscal Years (1)

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer Fund	Total
2010-11	\$ 2,153,781	\$ 1,447,988	\$ 5,234,361	\$ 2,773,957	\$ 3,348,393	\$ 12,221,036	\$ 966,811	\$ 441,036	\$ 993,168	\$ 2,914,811	\$ 32,495,342
2009-10	2,030,763	1,306,191	4,968,106	4,351,861	3,427,771	12,104,165	1,096,976	444,648	1,038,884	2,894,787	33,664,132
2008-09	1,988,175	1,346,124	4,898,840	4,970,152	3,368,123	12,026,801	632,214	394,485	1,089,090	3,466,944	34,180,948
2007-08	1,139,917	1,254,663	5,159,785	3,095,922	3,850,210	9,418,334	871,908	398,708	1,127,499	2,753,856	29,070,802
2006-07	2,116,146	1,274,576	5,035,940	2,682,973	3,486,881	12,116,812	815,503	566,417	1,118,940	2,803,885	32,018,073
2005-06	1,306,198	1,148,669	4,291,821	2,608,586	3,708,541	12,138,025	685,254	346,712	1,059,960	2,693,096	30,586,862
2004-05	1,983,684	1,072,819	4,001,622	2,444,495	3,429,803	11,496,939	1,013,934	348,755	1,040,587	2,871,058	29,703,696
2003-04	1,725,097	1,022,758	3,547,689	2,863,864	3,355,734	15,456,561	678,133	237,173	1,144,992	2,760,325	32,792,326
2002-03	1,640,307	987,466	4,016,680	2,639,084	2,904,632	11,232,613	709,358	411,679	1,220,328	2,641,615	28,403,762

(1) Information has only been available for 9 years.



Table 2

County of Alleghany, Virginia  
Government-Wide Revenues  
Last Nine Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2010-11	\$ 3,909,984	\$ 8,252,444	\$ 12,541,714	\$	15,432,192	\$ 2,288,458	\$ -	\$ 144,947	\$ 609,488	\$ 2,250,850	\$ 45,430,077
2009-10	3,461,695	8,234,495	4,287,265		15,715,743	2,236,077	-	123,133	549,032	2,276,650	36,884,090
2008-09	3,563,035	9,514,955	2,037,436		15,222,115	2,698,807	-	385,533	387,588	2,069,500	35,878,969
2007-08	3,418,562	8,768,681	205,853		14,784,476	2,596,051	-	1,016,766	261,246	1,978,185	33,029,820
2006-07	3,430,559	9,510,905	22,000		13,910,364	2,740,541	-	1,083,794	511,837	1,883,621	33,093,621
2005-06	3,337,808	8,455,946	47,887		13,523,707	2,630,493	-	743,785	94,650	2,124,891	30,959,167
2004-05	3,142,449	8,023,711	53,553		13,027,305	2,507,668	-	714,908	135,079	1,808,437	29,413,110
2003-04	2,800,104	5,978,417	44,000		12,867,835	2,358,610	-	617,121	208,111	3,877,280	28,751,478
2002-03	2,618,903	7,824,689	315,048		12,581,390	2,351,651	31,884	788,104	162,732	1,868,853	28,543,254

(1) Information has only been available for 9 years.

Table 3

County of Alleghany, Virginia  
General Governmental Expenditures by Function (1)  
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Nondepartmental	Debt Service	Capital Projects	Total
2010-11	\$ 2,254,023	\$ 1,401,529	\$ 5,436,958	\$ 2,643,170	\$ 3,867,309	\$ 28,534,386	\$ 727,485	\$ 331,195	\$ 5,567	\$ 2,342,273	\$ 374,624	\$ 47,918,519
2009-10	2,159,776	1,381,692	5,509,607	2,893,008	3,947,566	29,531,453	722,137	283,368	4,900	2,363,137	2,796,318	51,592,962
2008-09	2,101,972	1,403,618	5,324,926	2,965,524	4,038,254	31,120,417	673,801	330,719	5,899	2,386,317	3,278,167	53,629,614
2007-08	2,040,887	1,372,032	5,292,272	2,726,625	3,948,507	30,648,576	899,577	413,787	3,399	2,413,924	1,603,967	51,363,553
2006-07	2,047,804	1,274,637	5,435,110	2,761,932	4,221,685	29,026,101	792,850	344,520	11,457	2,140,387	1,072,176	49,128,659
2005-06	2,013,519	1,149,383	4,754,993	2,527,065	4,554,268	27,022,943	703,633	346,424	3,400	2,210,765	1,261,348	46,547,741
2004-05	1,939,561	1,089,904	4,307,543	2,584,635	4,162,455	26,366,999	1,017,330	354,098	11,143	2,265,660	518,698	44,618,026
2003-04	2,006,865	1,031,022	4,275,606	2,423,638	4,037,469	24,770,372	656,083	3,274,530	92,913	2,237,340	4,523,850	49,329,688
2002-03	1,923,646	993,440	4,261,820	2,546,543	3,584,122	24,013,390	699,092	475,601	-	2,323,902	151,142	40,972,698
2001-02	1,800,686	1,003,176	3,386,547	2,413,216	3,556,847	24,624,125	504,636	491,020	-	16,390,098	4,770,482	58,940,835

(1) Includes General, Special Revenue, and Capital Projects funds of the Primary Government and its Discretely Presented Component Unit-School Board

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit

Table 4

County of Alleghany, Virginia  
General Governmental Revenues by Source (1)  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2010-11	\$ 15,524,223	\$ 2,288,458	\$ 38,554	\$ 81,829	\$ 122,518	\$ 1,193,313	\$ 964,764	\$ 1,663,681	\$ 27,239,582	\$ 49,116,922
2009-10	15,629,777	2,236,077	35,296	65,414	124,353	1,097,179	1,068,168	1,701,036	30,002,302	51,959,602
2008-09	15,128,836	2,698,807	50,661	64,653	383,246	1,277,105	822,185	1,856,032	32,209,250	54,490,775
2007-08	14,789,811	2,596,051	45,274	57,561	1,025,818	1,284,749	715,685	1,535,807	29,672,297	51,723,053
2006-07	14,005,628	2,740,541	49,435	91,907	1,143,332	1,188,289	633,081	1,677,282	29,482,016	51,011,511
2005-06	13,523,178	2,630,493	46,829	121,343	805,833	1,096,609	823,290	1,579,547	26,372,308	46,999,430
2004-05	13,055,682	2,507,668	36,171	96,463	737,705	999,256	634,201	1,581,968	25,119,419	44,768,533
2003-04	12,867,601	2,358,610	41,356	72,500	571,592	1,021,491	626,710	1,529,539	22,427,132	41,516,531
2002-03	12,533,054	2,351,651	31,884	52,376	700,758	931,650	565,304	1,453,022	24,589,936	43,209,635
2001-02	12,049,493	2,172,499	45,288	19,219	697,404	862,534	1,353,615	2,786,703	20,842,086	40,828,841

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit

Table 5

County of Alleghany, Virginia  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2010-11	\$ 17,133,525	\$ 17,000,079	99.22%	\$ 263,622	\$ 17,263,701	100.76%	\$ 386,161	2.25%
2009-10	16,965,119	16,852,221	99.33%	248,198	17,100,419	100.80%	489,646	2.89%
2008-09	16,607,536	16,365,362	98.54%	225,844	16,591,206	99.90%	476,050	2.87%
2007-08	16,259,572	16,130,783	99.21%	156,974	16,287,757	100.17%	405,837	2.50%
2006-07	15,475,568	15,326,045	99.03%	186,484	15,512,529	100.24%	392,420	2.54%
2005-06	15,100,276	15,029,295	99.53%	128,373	15,157,668	100.38%	313,244	2.07%
2004-05	14,448,057	14,196,169	98.26%	189,244	14,385,413	99.57%	296,513	2.05%
2003-04	14,371,021	14,166,928	98.58%	176,161	14,343,089	99.81%	394,847	2.75%
2002-03	14,065,879	13,933,145	99.06%	95,051	14,028,196	99.73%	333,098	2.37%
2001-02	13,684,499	13,210,939	96.54%	71,086	13,282,025	97.06%	338,764	2.48%

(1) Exclusive of penalties and interest. Includes PPTRA revenue from the Commonwealth.

Table 6

County of Alleghany, Virginia  
Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)	Total
2010-11	\$ 1,177,769,900	\$ 61,240,685	\$ 116,208,339	\$ 103,422,277	\$ 1,458,641,201
2009-10	1,173,850,600	59,061,239	116,248,580	100,012,946	1,449,173,365
2008-09	1,166,472,100	64,321,098	106,864,932	89,128,617	1,426,786,747
2007-08	1,146,371,600	63,346,720	102,823,797	101,263,931	1,413,806,048
2006-07	779,733,400	63,121,433	107,628,289	72,453,464	1,022,936,586
2005-06	800,128,832	62,950,052	107,004,276	77,104,632	1,047,187,792
2004-05	719,997,400	59,102,948	103,481,737	83,253,702	965,835,787
2003-04	760,415,509	58,305,407	102,447,186	93,503,935	1,014,672,037
2002-03	751,356,895	59,634,758	97,573,176	91,201,544	999,766,373
2001-02	742,652,969	57,081,537	97,254,692	75,925,803	972,915,001

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission (includes real estate and personal property).

Table 7

County of Alleghany, Virginia  
Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools
2010-11	\$ 0.64	\$ 5.95	\$ 0.64	\$ 5.95
2009-10	0.66	5.95	0.66	5.95
2008-09	0.66	5.95	0.66	5.95
2007-08	0.66	5.95	0.66	5.95
2006-07	0.72	5.95	0.72	5.95
2005-06	0.69	5.95	0.69	5.95
2004-05	0.67	5.95	0.67	5.95
2003-04	0.66	5.95	0.66	5.95
2002-03	0.66	5.95	0.66	5.95
2001-02	0.66	5.95	0.66	5.95

(1) Per \$100 of assessed value.

Table 8

County of Alleghany, Virginia  
Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2010-11	16,250	\$ 1,458,641	\$ 22,659,231	\$ 22,659,231	1.55%	\$ 1,394
2009-10	17,215	1,449,173	24,291,009	24,291,009	1.68%	1,411
2008-09	17,215	1,426,787	25,732,356	25,732,356	1.80%	1,495
2007-08	17,215	1,413,806	27,140,846	27,140,846	1.92%	1,577
2006-07	17,215	1,022,937	28,504,706	28,504,706	2.79%	1,656
2005-06	17,215	1,047,188	26,526,182	26,335,000	2.51%	1,530
2004-05	17,215	965,836	27,727,733	27,530,000	2.85%	1,599
2003-04	17,215	1,014,672	27,470,000	27,470,000	2.71%	1,596
2002-03	17,215	999,766	28,605,000	28,605,000	2.86%	1,662
2001-02	17,215	972,915	29,455,000	29,455,000	3.03%	1,711

(1) Population per the Bureau of the Census.

(2) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Also includes lease revenue bonds which will be repaid using taxpayer dollars. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

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## Compliance Section

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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To the Members of the Board of Supervisors  
County of Alleghany, Virginia  
Covington, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Alleghany, Virginia's basic financial statements and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the County of Alleghany, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Alleghany, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Alleghany, Virginia's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Alleghany, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Alleghany, Virginia in a separate letter dated November 21, 2011.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Turner, Cox Associates*

Christiansburg, Virginia  
November 21, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Members of the Board of Supervisors  
County of Alleghany, Virginia  
Covington, Virginia

### Compliance

We have audited the County of Alleghany, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County of Alleghany, Virginia's major federal programs for the year ended June 30, 2011. The County of Alleghany, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Alleghany, Virginia's management. Our responsibility is to express an opinion on the County of Alleghany, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Alleghany, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Alleghany, Virginia's compliance with those requirements.

In our opinion, the County of Alleghany, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of the County of Alleghany, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Alleghany, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Alleghany, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Turner, Co. Associates*

Christiansburg, Virginia  
November 21, 2011

County of Allegheny, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Page 1 of 2

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Department of Health and Human Services:</b>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	93556	\$ 20,811
Temporary Assistance for Needy Families (TANF)	93.558	93558	240,378
Refugee and Entrant Assistance - State Administered Programs	93.566	93566	479
Low-Income Home Energy Assistance	93.568	93568	19,159
Child Care and Development Block Grant - (Child Care Cluster)	93.575	93575	35,527
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - (Child Care Cluster)	93.596	93596	68,974
Chafee Education and Training Vouchers	93.599	93599	4,034
Child Welfare Services - State Grants	93.645	93645	990
Foster Care - Title IV-E (Foster Care Cluster)	93.658	93658	82,923
ARRA - Foster Care - Title IV-E (Foster Care Cluster)	93.658	93658	980
Adoption Assistance	93.659	93659	39,831
ARRA - Adoption Assistance	93.659	93659	2,505
Social Services Block Grant	93.667	93667	199,898
ARRA - Child care and Development Block Grant (Child Care Cluster)	93.713	93713	3,119
Children's Health Insurance Program	93.767	93767	7,929
Medical Assistance Program	93.778	93778	172,404
Chafee Foster Care Independence Program	93.674	93674	3,192
Total Department of Health and Human Services			\$ 903,133
<b>Department of Agriculture:</b>			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	NA	\$ 4,569,052
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	11.559	na	15,294
Secure payments for States and Counties Containing Federal Land	10.665	43841	173,543
<i>Department of Agriculture:</i>			
Food Distribution (Note C)	10.555	40623	\$ 83,545
<i>Department of Education:</i>			
National school lunch program	10.555	40623	544,757
628,302			
<i>Department of Education:</i>			
National school breakfast program	10.553	40591	145,779
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	288,782
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	1,920
290,702			
Total Department of Agriculture - pass-through payments			\$ 1,253,620
Total Department of Agriculture			\$ 5,822,672
<b>Department of the Interior</b>			
Direct Payments:			
Payment in lieu of taxes	15.226	na	\$ 143,777
Total Federal Emergency Management Agency			\$ 143,777
<b>Environmental Protection Agency:</b>			
Pass Through Payments:			
<i>Virginia Department of Health:</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	VCWSTM 005	\$ 6,992,042
Total Environmental Protection Agency			\$ 6,992,042

County of Alleghany, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Page 2 of 2

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Department of Transportation:</b>			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and community highway safety program	20.600	59105	\$ 24,120
<i>Department of Conservation and Recreation:</i>			
Recreational Trails Program	20.219	NA	32,881
<b>Total Department of Transportation</b>			<u>\$ 57,001</u>
<b>Department of Education:</b>			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I - Grants to Local Education Agencies (Title 1 Cluster)	84.010	42892	\$ 580,555
ARRA - Title I - Grants to Local Education Agencies (Title 1 Cluster)	84.389	42913	150,387
Special Education - Grants to States (Special Education Cluster)	84.027	60180	700,300
ARRA - Special Education - Grants to States (Special Education Cluster)	84.391	61245	262,464
ARRA - Special Education - Preschool Grants (Special Education Cluster)	84.392	61247	13,139
Special Education - Preschool Grants (Special Education Cluster)	84.173	61136	13,360
Safe and Drug-free Schools and Communities - State Grants	84.186	60518	5,830
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	409,434
Education Technology State Grants	84.318	61600	11,488
Improving Teacher Quality State Grants	84.367	61490	182,372
<b>Total Department of Education</b>			<u>\$ 2,329,329</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 16,247,954</u>

**Note A -- Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Alleghany, Virginia under programs of the federal government for the year ended June 30, 2011. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Alleghany, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Alleghany, Virginia.

**Note B -- Summary of Significant Accounting Policies:**

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

**Note C -- Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**Note D -- Relationship to the Financial Statements**

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows

**Intergovernmental federal revenues per the basic financial statements:**

Primary government:	
General Fund	\$ 1,394,613
Water and Sewer Fund Grants	9,132,094
Water and Sewer Fund Loans	2,429,000
Primary Government	<u>\$ 12,955,707</u>
Component Unit School:	
School Operating Fund	\$ 3,292,191
Add: Surplus Commodities	56
<b>Total federal expenditures per the Schedule of Expenditures of Federal Awards</b>	<u>\$ 16,247,954</u>

County of Alleghany, Virginia

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with 501(a) of OMB Circular A-133	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
66.458	Capitalization Grants for Clean Water State Revolving Funds, Recovery Act
84.010/84.389	Title 1, Part A Cluster
84.027/84.391/84.392/84.173	Special Education Cluster (IDEA)
10.781	Water and Waste Disposal Systems for Rural Communities - ARRA

Dollar threshold used to distinguish between Type A and Type B programs	\$487,439
Auditee qualified as low-risk auditee?	Yes

**County of Alleghany, Virginia**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.

**Section IV - Status of Prior Audit Findings and Questioned Costs**

There were no findings in the prior fiscal year that related to federal programs.